SphereInvest | GROUP

January 2015

GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

	MTD Return (Net)	YTD Return (Net)	NAV per share
Class F (USD)	-0.22%	-0.22%	120.95
Class D (EUR)	-0.29%	-0.29%	119.74

Investment Objective

To profit from yield and potential capital appreciation through dynamic investment in a portfolio of 30 to 40 globally diversified, liquid, corporate high yield debt instruments.

Portfolio Commentary

The global "deflation trade" gathered steam during January, with Sovereign yields in Core Europe falling to record lows, while 10-year US Treasury yields collapsed 60 basis points to end the month at 1.64%, within 25 basis points of their lowest ever reached during 2012. Global IG markets underperformed Sovereigns as spreads widened 6bps, for a total return of 2.3%. The performance of high yield markets was mixed: European HY performed steadily despite some late-month jitters related to the General Elections in Greece and returned 1.06%; US HY remained volatile, falling 0.6% during the first week before rallying to return 0.67% for the month. EM HY continued to perform poorly, falling 1.75%, with the index spread reaching 1000bps, 450bps wider since July last year.

Performance Since Inception

Annualised Return: 7.6%
Annualised Volitility: 2.2%
Sharpe Ratio: 3.3

Fund Terms

Regulatory	UCITS IV
Liquidity	Weekly
Start Date	2nd July 2012
Management Fee	1.5 % (Retail) 1% (Institutional)
Performance Fee	5% Incentive Fee
Minimum Investment	Retail = 100,000 (GBP, EUR, USD, CAD, CHF) Institutional = 200,000 (GBP, EUR, USD, CAD, CHF)
Domicile	Malta
Administrator	Equinoxe Investment Services (Ireland) Ltd.
Custodian	RBC International
Auditor	Deloitte & Touche
Legal Counsel	Ganado & Associates

Market Outlook

Compression of risk free rates and collapse in commodities continues to feed pessimism about the global economic outlook. While the IMF did downgrade its global growth forecast during January (by 0.3% to 3.5%), recent data actually points to an improving outlook in much of the EM world (aside from Brazil, Russia and China) and the Eurozone, where the benefits of the lower Euro and cheaper oil recently prompted the EU Commission to upgrade its 2015 growth forecasts. Data in the US remains consistent with a solid outlook, which should allow the Fed to raise rates in 2015, possibly as early as June.

Although rates are back to levels last seen in 2012, and in some cases much lower, we have not observed a similar "reach for yield" extending to the riskier part of the credit spectrum. This has led to a remarkable bifurcation of yields between credits perceived as "safe" (typically, investment grade but also "double B" rated bonds); and lower-rated credits. Understanding the reasons for this risk aversion is crucial to determining whether risk assets can outperform during 2015, or whether investors are indeed correct in buying Sovereign and Investment Grade bonds at historically low yields.

Divergence of monetary policy between the Fed and other major Central Banks, coupled with the collapse in oil prices, due to oversupply rather than a collapse in demand, may have fed confusion and over-pessimism. Closer to high yield markets, signs of "cracks" have emerged and continue to justify higher risk premiums: we discussed in previous letters the specific case of high yield commodity producers; idiosyncratic risks are also rising, exemplified by the the investigation into corruption at Petrobras, the Brazilian National Oil Company; finally, the number of defaults since the start of the year has been remarkable: S&P counts 12 corporate defaults already year-to-date, the highest since 2012.

Fund Positioning

Gaining conviction in current volatile markets remains difficult. While we remain unconvinced of the fundamental attractiveness of much of the IG and higher-rated HY markets, "technicals" matter and are unlikely to reverse in the near term. Our positioning therefore reflects a degree of caution, with about 30% of the Fund invested to benefit from the continuing focus of investors on higher quality yet low yielding assets. We believe EM assets will generically continue to suffer from several headwinds, notably the expected slowing demand in China, and the rise of the Dollar, leading us to further pare our exposure to solid, but unremarkable EM assets.

Our present challenge is to find opportunities in bonds with specific drivers of near-term outperformance, or corporates where valuations have improved sufficiently to justify taking medium-term positions despite their still difficult outlook. Notably, having avoided for the best part of last year taking positions in commodity-related sectors, we initiated during January a position in a gold miner.

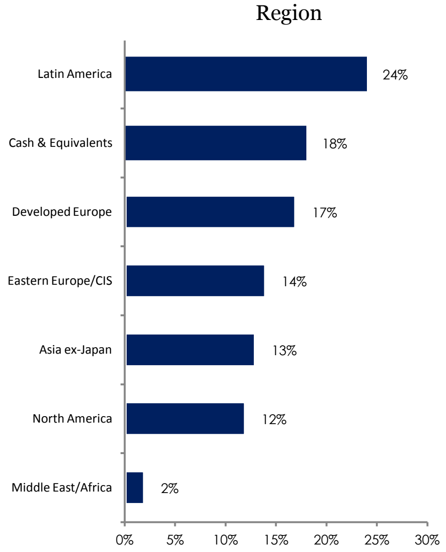
Fund Performance

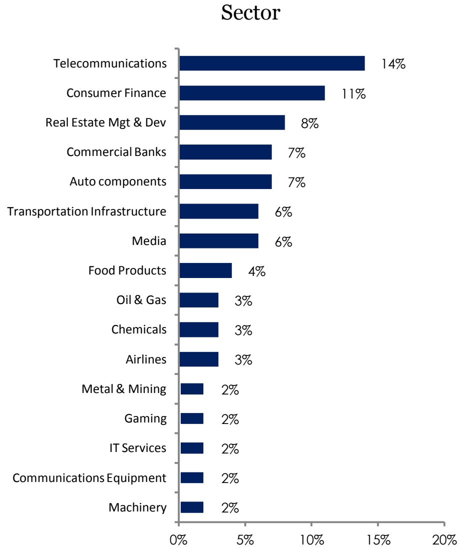
Most of the Fund's positions performed satisfactorily during January. The Fund's return was negatively affected by our holding in Helios Towers Nigeria, an operator of mobile communication towers. Although after the reporting period we reduced our position in Helios at a level significantly higher than January's month-end, the performance of the position was disappointing. While we believe Helios' medium term growth prospects remain strong and the issuer has the flexibility to weather the current economic volatility in Nigeria, we did underestimate how much the recent drop in oil price would affect the risk premium for all Nigerian assets, including infrastructure industries not directly dependent on the price of oil.

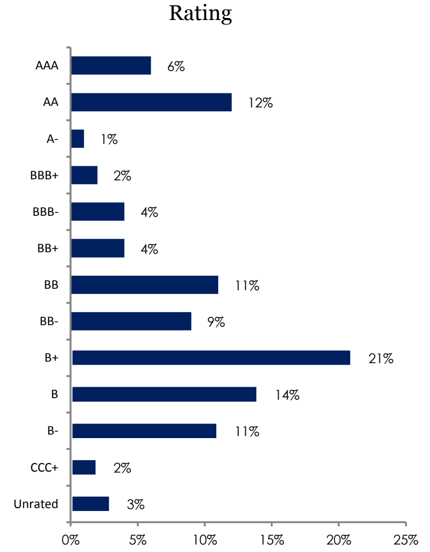
Portfolio Composition

Portfolio Yield: 6.8%
Portfolio Duration: 4.1

Average Rating: BB-
Number of Holdings: 37







Monthly Performance Since Inception

Class F (USD)

	Jan	Feb	Mar	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	YTD
2012							0.15%	0.72%	0.78%	2.11%	1.24%	1.72%	**6.90%**
2013	0.97%	0.11%	0.54%	1.64%	-0.04%	-2.16%	1.11%	-0.06%	1.70%	1.66%	0.14%	0.67%	**6.40%**
2014	0.84%	1.08%	0.84%	1.10%	1.20%	1.04%	-0.20%	0.91%	-0.51%	0.14%	0.66%	-0.71%	**6.56%**
2015	-0.22%												**-0.22%**

Class D (EUR)

	Jan	Feb	Mar	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	YTD
2012							0.20%	0.66%	0.70%	2.04%	1.20%	1.62%	**6.59%**
2013	0.87%	0.12%	0.54%	1.54%	-0.06%	-2.21%	1.16%	-0.07%	1.67%	1.66%	0.13%	0.65%	**6.11%**
2014	0.85%	1.06%	0.77%	1.09%	1.25%	1.01%	-0.21%	0.92%	-0.62%	0.12%	0.59%	-0.79%	**6.18%**
2015	-0.29%												**-0.19%**

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