

SphereInvest | GROUP

SPHEREINVEST GLOBAL CREDIT STRATEGIES (UCITS) FUND

Weekly Performance Period: 31st October to 27th November 2014

Class F (USD): MTD return: 0.66% YTD 2014 return: 7.32% NAV per Share: 122.08

Class D (EUR): MTD return: 0.59% YTD 2014 return: 7.02% NAV per Share: 121.04

Annualized Return since inception: 8.5%

Annualized Volatility: 2.2%

Sharpe Ratio: 3.8

Portfolio and Market Commentary:

During November, global credit markets continued to benefit from broadly supportive liquidity conditions: while falling energy prices reduce inflationary pressures across Developed Markets; the PBOC acknowledge downside risks to the Chinese economy by cutting its key benchmark rates; ECB officials explicitly mention the purchase of Sovereign bonds to counter deflationary threats in the Eurozone; and the BOE further pushed out expectations of the first hike in the UK, leaving the Fed as the only major Central Bank still on track to raise rates sometimes in the middle of 2015.

Investment Grade markets broadly tracked the strength in rates, to return 0.51% during the month, with spreads widening 4bps. High yield markets remained volatile, confirming a recent trend of diverging performance across regions and sectors. With energy representing as much as 14% of the market, US HY was affected by rising default expectations among leveraged shale producers, returning -0.42%. In addition to the generic poor performance of oil-related assets, EM high yield suffered from idiosyncratic developments, notably in Brazil (where the bonds of companies implicated in a corruption scandal at NOC Petrobras fell sharply), and in Russia, due to the rapid deterioration of the economy and the plunge of the Ruble. European HY, having underperformed during October, shrugged off a few credit specific scares (such as Abengoa, the Spanish engineering company, whose bonds suffered significant volatility on concerns it was underreporting its true leverage), to return 1.03% for the month, helped by its relatively low exposure to the energy sector and somewhat better than feared earnings news.

In an otherwise calmer month, following October's gyrations, the abrupt fall in oil prices during the last days of November is likely to be seen as a pivotal point for global financial markets, on a par with the stabilization of the Eurozone crisis in July 2012 and Former Fed Chairman Bernanke's first hints the Fed was considering "tapering" in May 2013. Similarly to low interest rates, high oil prices had been a defining feature of the global economy in recent years, having conditioned expectations for all financial actors- from Central Banks and Sovereigns to consumers and companies. The implications of oil remaining at \$70 per barrel will be wide-ranging and disruptive for credit markets, in our view. While global growth is likely to gain, those benefits will only accrue over time as consumers and manufacturers adjust their spending and investment plans accordingly. Oil producers and their investors, however, will be immediate losers. With the economics of a number of projects having abruptly deteriorated, the market is currently still in discovery mode about the eventual extent of economic losses from oil-related currencies, equities and high-yield debt. We did not hold any exposure to the Oil & Gas sector at the end of last month and are not yet considering opening new positions in the sector: markets are, in our view, likely to overshoot on the downside, both reflecting the current uncertainty on oil prices and for mechanical reasons, as fund managers are forced to adjust their positioning closer to their benchmarks and become forced

sellers – often in the more liquid bonds and resilient issuers. Looking further ahead, we do believe the Oil & Gas sector will open a number of opportunities which we are currently working on identifying.

The Fund benefited from its sector selection during the month, given its absence of direct exposure to Oil & Gas, while a number of our positions are set to benefit from lower oil prices, either for fundamental reasons, or in terms of sentiment. We count among those our investments in Gol, the Brazilian airlines, CMA CG, the French container shipping company and American Axle & Manufacturing and Metaldyne, the American OEMs. With third quarter earnings good or uneventful for the Fund's holdings, single bond performance was largely dictated by geography and currency, with our Euro and Sterling positions performing steadily, while some of our EM positions came under some pressure, notably Digicel and VTR, the Caribbean and Chilean telecom and cable companies, which tracked the performance of the US HY market due to their US-based investor ownership. Finally, the Fund benefited from our opportunistic trading in Petrobras (a position closed during the month) and Banco do Brasil, as Brazilian assets sold off due to the corruption scandal mentioned above, before recovering on the announcement of a business-friendly cabinet and, in the specific case of Banco do Brasil, improvements in the capitalisation strength of the bank.

Market Overview

Ticker	Index	Yield	OAS (2)	Month-to-date (1)		Quarter-to-date (3)		Year-to-date	
				Total Return	Chg in OAS	Total Return	Chg in OAS	Total Return	Chg in OAS
GOQ0	US Treasury Index	1.4	-1	0.54%	0	1.79%	1	5.51%	0
GOBC	Global Corporate Index	2.5	123	0.51%	4	1.34%	9	7.52%	-1
GI00	Global Corporate & High Yield Index	3.2	193	0.35%	7	1.15%	11	6.92%	10
HW00	Global High Yield Index	6.0	480	-0.30%	13	0.40%	16	4.48%	57
HOA0	US High Yield Index	6.1	456	-0.42%	21	0.61%	16	4.24%	56
HP00	European Currency High Yield Index	4.3	390	0.98%	-24	1.02%	-10	5.73%	29
HL00	Sterling High Yield Index	5.7	444	0.73%	-9	0.67%	20	5.13%	75
EMIB	High Grade Emerging Markets Corporate Plus Index	3.7	221	-0.11%	13	0.93%	16	7.06%	3
EMHB	High Yield Emerging Markets Corporate Plus Index	8.3	724	-1.46%	31	-1.18%	52	3.85%	90

(1) From 30/10/2014 to 27/11/2014

(2) Option Adjusted Spread

(3) From 30/09/2014 to 27/11/2014

Source: Bank of America

Portfolio Composition:

	Average Rating	Market Value (%)	Price	Mod. Dur.	Yield	Carry	Z-Spread	PnL Contrib.
SphereInvest Global Credit Strategies								
	BB	100 %	103.1	4.2	6.2 %	6.7 %	497	100 %
Largest 5 Positions								
	BB+	17 %	103.3	5.4	6.9 %	7.8 %	567	11 %
Regions								
Latin America	BB-	29 %	102.2	5.8	6.9 %	7.6 %	504	15 %
Developed Europe	B	18 %	105.0	4.0	7.8 %	8.6 %	677	43 %
Eastern Europe / CIS	B+	16 %	103.3	4.7	6.7 %	7.3 %	565	32 %
Cash	AA	14 %						0 %
North America	B+	12 %	103.2	5.4	6.7 %	7.1 %	518	7 %
Asia ex-Japan	B+	8 %	104.0	3.1	8.2 %	9.2 %	698	2 %
Middle East / Africa	B	3 %	93.5	3.6	10.2 %	9.0 %	865	1 %
Corporates/Financials								
Corps	B+	67 %	102.5	5.0	7.3 %	7.8 %	594	81 %
Financials	BB-	19 %	104.9	4.4	7.0 %	8.2 %	550	19 %
Cash	AA	14 %						0 %
Sectors								
Telecommunications	B+	15 %	101.5	5.0	7.1 %	7.3 %	557	10 %
Cash	AA	14 %						0 %
Real Estate Management & Development	BB-	13 %	103.1	4.5	7.9 %	8.5 %	669	12 %
Media	B+	11 %	104.6	4.8	6.4 %	7.1 %	524	2 %
Consumer Finance	BB-	10 %	105.7	3.7	7.3 %	8.3 %	588	12 %
Commercial Banks	BB-	9 %	104.0	5.1	6.7 %	8.1 %	506	7 %
Communications Equipment	B+	6 %	99.8	5.4	7.1 %	6.8 %	606	4 %
Food Products	B	5 %	107.8	4.2	7.1 %	8.2 %	542	25 %
Transportation Infrastructure	B	5 %	104.3	3.4	8.2 %	9.1 %	726	15 %
Auto Components	B	4 %	104.3	5.6	6.2 %	6.7 %	422	-1 %
Airlines	B-	3 %	88.2	9.7	10.0 %	9.9 %	749	3 %
IT Services	CCC+	2 %	103.0	3.9	9.1 %	9.6 %	873	3 %
Oil, Gas & Consumable Fuels	BBB	2 %	102.9	6.9	5.8 %	6.1 %	363	7 %
Consumer	BB+	1 %	101.7	5.7	5.0 %	5.2 %	298	0 %
Hotels, Restaurants & Leisure	-	0 %						5 %
Metals & Mining	-	0 %						-3 %
Construction Materials	-	0 %						-1 %
Ratings								
B	B	18 %	103.5	4.2	8.0 %	8.4 %	649	34 %
B+	B+	17 %	102.7	5.5	7.3 %	7.7 %	570	26 %
BB-	BB-	16 %	106.2	4.1	6.3 %	7.5 %	515	7 %
B-	B-	15 %	100.2	5.4	8.0 %	8.4 %	663	21 %
AA	AA	14 %						0 %
BB	BB	13 %	105.0	4.8	6.4 %	7.5 %	512	7 %
CCC+	CCC+	2 %	103.0	3.9	9.1 %	9.6 %	873	3 %
BBB-	BBB-	2 %	85.6	6.6	7.3 %	5.8 %	515	-2 %
BBB	BBB	2 %	102.9	6.9	5.8 %	6.1 %	363	8 %
BB+	BB+	1 %	101.7	5.7	5.0 %	5.2 %	298	-4 %
Ratings								
USD	BB+	67 %	102.1	4.2	6.0 %	6.5 %	458	46 %
EUR	B+	22 %	103.9	4.3	5.8 %	6.3 %	539	37 %
GBP	B+	11 %	106.4	3.8	7.9 %	8.9 %	648	17 %

Performance Table 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%		7.32%

Class D (Euro)

	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%		7.02%

Past Performance is no guarantee of future results.
Performance figures are net of all fees.

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