SphereInvest | GROUP

November 2015

GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

	MTD Return (Net)	YTD Return (Net)	NAV per Share
Class F (USD)	0.73%	4.95%	127.22
Class D (EUR)	0.91%	4.53%	125.53

Performance Since Inception

Annualized Return: 7.29%
Annualized Volatility: 2.42%
Sharpe Ratio: 2.95

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 = 25,000 (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

Portfolio Commentary

The marked underperformance of the US HY market was probably November's most significant development in what was otherwise a transition month ahead of December's anticipated decisions by the ECB and the Fed. For the fund's performance period (29/10 to 26/11), US HY lost 2.4%, bringing year-to-date returns back to negative. EM HY returned 1.08%, a largely technical outperformance helped by short-covering in Brazil and which reversed entirely during the first week of December. Euro HY performed steadily, returning 0.6%, supported by rising expectations of the expansion of the ECB's quantitative easing, while the default of Abengoa, the Spanish utility and formerly benchmark high yield bond issuer, failed to dent sentiment.

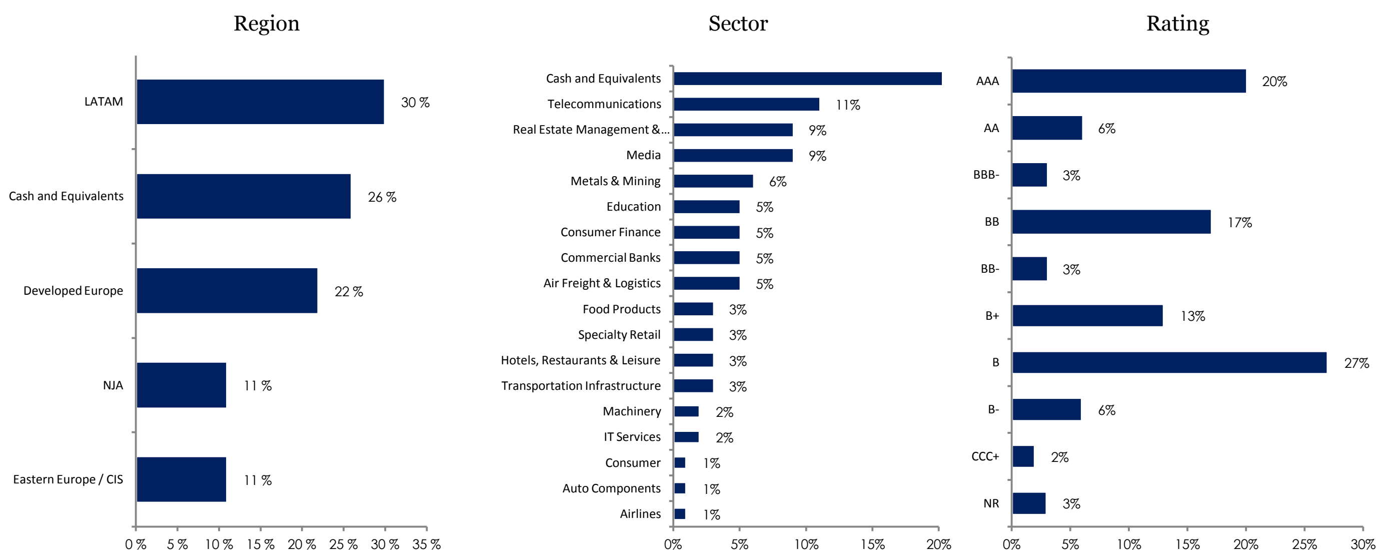
The worsening performance of US HY since the summer is defying earlier optimism the market could decouple from distress in commodity sectors and benefit from its exposure to what is still considered the best performing large developed economy globally. To the contrary, signs of distress appear to have spread haphazardly to non-commodity credits in retail, media, housing, or utilities, with often few common points apart from the perception they are running out of runway to reduce leverage before this 7-year old credit cycle turns. As always, there is a self-fulfilling dimension to credit markets: as risk aversion rises, more vulnerable credits find it more difficult to refinance and higher spreads eventually force defaults rates higher, too. Breaking that circle would, in our view, require "external help", for instance in the form of strong enough data to reassure investors the credit cycle has further to go, or thanks to central bank monetary support: however, with November's ISM pointing towards a manufacturing recession, further commodity fall pointing towards weak global demand, yet improving employment leaving the Fed virtually certain to hike in December, "external help" hasn't been forthcoming for US HY investors of late.

As many banks publish their outlooks for markets in 2016, the lack of any consensus is the main take-away from that yearly exercise for us. While recent years - and 2015 again – often failed to develop in line with market consensus, a few widely shared themes and investor positioning did point to where momentum or pressure points existed in the market. We are unaware of any such broad consensus today. In EM, a few dealers expect 2016 to mark a fundamental bottoming, indicating the point of maximum return expectations - but others, including ourselves, remain more cautious about unresolved structural challenges in a number of key countries, continuing headwinds from China's slowdown and pressures on the Yuan. In the US, some believe consumers will eventually spend their "fuel windfall" giving a boost to the domestic economy which conspicuously failed to materialize in 2015; others observe the dollar often reach a plateau ahead of the start of the hiking cycle, which could help the manufacturing sector out of its slump. While most agree the first Fed hike should be a non-event for markets, we see a scenario of falling corporate profits on a background of tightening monetary conditions remains as a key risk in 2016. Similarly to last year, improving domestic conditions and the support of extremely loose monetary policy are giving Euro HY an "haven" appeal. We remain wary the Euro HY market will struggle to escape other markets' gravity in 2016, however, while any fundamental improvement could make the US or EM HY markets much more attractive given their better starting valuations.

Portfolio Composition

Portfolio Yield: 6.1%
Portfolio Duration: 3.6

Average Rating: BB-
Number of Holdings: 29



Monthly Performance Since Inception

Class F (USD)
ISIN Code:MT7000005617

	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%	1.80%	1.38%	1.66%	0.93%	-0.54%	-0.19%	-1.19%	-1.27%	1.82%	0.73%		**4.95%**

Class D (EUR)
ISIN Code:MT7000005591

	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%	1.82%	1.33%	1.55%	0.97%	-0.63%	-0.20%	-1.27%	-1.46%	1.77%	0.91%		**4.53%**

Class E (GBP)
ISIN Code:MT7000005609

	Jan	Feb	Mar	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	YTD
2015					0.69%	-0.51%	-0.17%	-1.21%	-1.29%	1.86%	0.68%		**0.01%**

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