SphereInvest | GROUP

October 2015

MORNINGSTAR ★★★★★

GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

	MTD Return (Net)	YTD Return (Net)	NAV per Share
Class F (USD)	1.82%	4.19%	126.30
Class D (EUR)	1.77%	3.59%	124.30
Class E (GBP)	1.86%	-0.67%	99.33

Performance Since Inception

Annualized Return: 7.23%
Annualized Volatility: 2.4%
Sharpe Ratio: 2.9

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

Risk assets enjoyed a broad rally during October, in many cases entirely reversing losses during the previous three months. In credit markets, US HY, Euro HY and EM HY returned 2.7%, 2.8% and 4.8% for the month, bringing year-to-date returns to 0.1%, 2.9% and 5.6%, respectively.

After almost three months of high volatility and global outlook uncertainty, October's rally was largely driven by positioning, amid still thin liquidity conditions in high yield markets. Looking for the proximate causes of the rally point to a deep deterioration of expectations during the summer, explaining why investors often reacted very positively to still ambiguous developments. September's US employment report was surprisingly weak, and seemingly vindicated the Fed's decision to keep rates unchanged at its previous meeting on concerns financial and international developments were negatively impacting the US economy: in October, however, investors mostly welcomed the jobs weakness since it seemed – at the time – to further delay the timing of "liftoff". Similarly, investors cheered when both the BoE and the ECB pointed to downside risks to growth in their dovish statements (which, in the case of the ECB, included strong hints of further easing in December). Finally, data out of China, while mixed, did not seem to corroborate investor bear-case: with official third-quarter growth coming in at 6.9%, slightly better-than-expected, it appears increasingly likely August's Yuan devaluation was a policy misstep rather than a sign Chinese policymakers were looking for last-resort measures to avoid near-term hard-landing.

While we pointed out in our previous letter the sell-off had left valuations in HY markets fundamentally cheap – indeed, for many credits, at their cheapest since the inception of our fund – we did not expect markets to recover so quickly. In our view, concerns about the structural slowdown of China and its impact on DM and EM would, at best, take time to abate or prove prescient at worst. At the same time, we thought the recent pick-up in volatility (and, partly as a result, in asset risk premiums) was justified by the uncertainty about monetary normalization in the US. We continue to believe the biggest near-term risk for financial markets is that of a policy mistake by one of the major Central Banks – with the PBoC now clearly belonging in that club along with the Fed, the BoJ and the ECB, as August's Yuan debacle confirmed. With October's US job report having firmly revived the odds of December's liftoff, we believe the performance of global markets by the end of the year will largely hinge on investor perception whether the Fed is "right" to hike. In this regard, recent market developments such as the stabilization of EMFX, the collapse in implied equity volatility since August, or the rise in long rates, provide ground for some optimism investors' and the Fed's views of the world are better aligned, which indicates a more benign near term outlook for risk assets than we envisaged at the end of September.

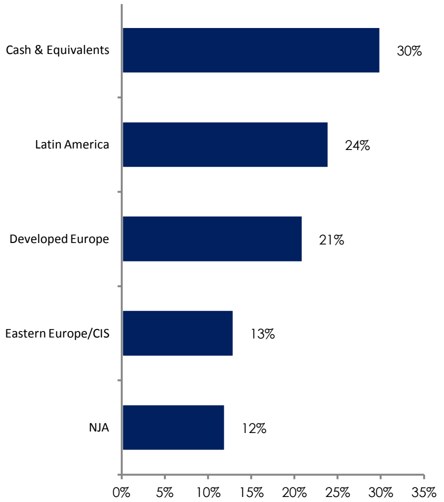
Our broad fund positioning remained unchanged during October. While hindsight would have dictated a more aggressive beta exposure at the start of the month, valuations have now largely normalized and no longer justify beta-seeking. Spreads across HY markets remain wider than their year-to-date trough (by 40, 100, and 120bps in Europe, EM, and the US, respectively), but around their recent average, which we consider fair in the current environment. We took advantage of cheaper valuations to add or re-initiate positions in some of the fund's long-standing exposures, such as Atento, the global provider of customer relationship services; Grupo Posadas, the Mexican hotels chain; or VTR, the Chilean cable company. While market volatility has declined, we believe the recent trend of increased dispersion between credits we discussed in our previous letter is likely to continue. October again illustrated the market's reduced tolerance for idiosyncratic negative developments: the bonds of two large HY issuers, Valeant and Millicom International, saw significant declines, respectively due to concerns about Valeant's business model, and following the disclosure of improper payments made by a Millicom joint-venture in Guatemala. While we believe Valeant's business model could be significantly impaired, and did not invest in their bonds, we took advantage of cheaper valuations to invest in the Paraguayan subsidiary of Millicom, which we believe should remain insulated from negative developments at parent-level. We will remain focused to capitalize on similar opportunities in the coming months.

Portfolio Composition

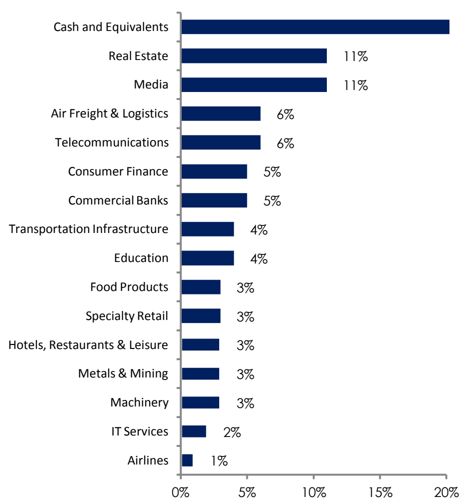
Portfolio Yield: 5.9%
Portfolio Duration: 3.5

Average Rating: BB-
Number of Holdings: 30

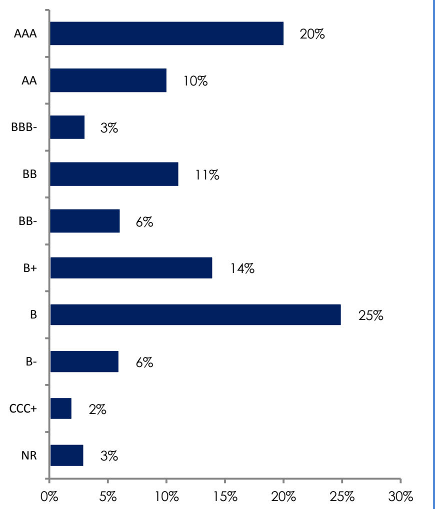
Region



Sector



Rating



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%	1.80%	1.38%	1.66%	0.93%	-0.54%	-0.19%	-1.19%	-1.27%	1.82%			**4.19%**

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%	1.82%	1.33%	1.55%	0.97%	-0.63%	-0.20%	-1.27%	-1.46%	1.77%			**3.59%**

Class E (GBP)

	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%			**-0.67%**

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