SphereInvest | GROUP

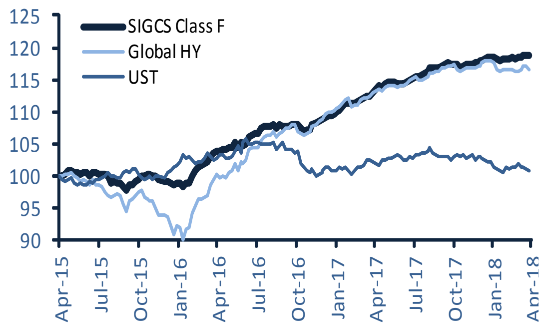
MORNINGSTAR ★★★★★

GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

Class F (USD): MTD return: 0.39% 2018 return: 0.71% NAV per Share: 150.56
Class D (EUR): MTD return: 0.19% 2018 return: -0.18% NAV per Share: 141.29
Class E (GBP): MTD return: 0.30% 2018 return: 0.22% NAV per Share: 115.41

	2018	1-year		3 years		Since Inception	
	Return	Return *	Sharpe	Return *	Sharpe	Return *	Sharpe
SIGCSF Class F (US$)	**0.7%**	**5.0%**	**2.45**	**5.8%**	**2.08**	**7.2%**	**2.87**
BOFA Global High Yield	-0.4%	3.2%	0.81	5.2%	0.93	6.7%	1.45
BOFA EM High Yield	-0.9%	2.6%	0.47	6.7%	1.27	6.8%	1.15
BOFA Europe High Yield	0.1%	4.0%	1.43	4.6%	1.05	8.0%	1.45
BOFA US High Yield	-0.3%	3.3%	0.72	4.9%	0.74	6.2%	1.21
Barclays US Treasury Total Return	-2.3%	-1.4%	-1.07	0.2%	-0.20	0.7%	0.05
MSCI World	-0.5%	11.2%	1.12	5.7%	0.40	9.3%	0.76
MSCI Emerging Markets	-3.5%	16.8%	1.15	3.7%	0.16	3.4%	0.18



* Annualized Weekly Returns and Sharpe Ratios; Fund Inception: July 2012

Source: SphereInvest Group; Bank of America Merrill Lynch

Portfolio and Market Commentary

A week is a long time in markets looking ever more like a whack-a-mole game, where new concerns seem to appear as soon as previous ones faded. While our investor letter ostensibly covers April, we would be amiss if we did not dedicate it in part to the sharp deterioration of sentiment towards EM during the first week of May.

In some ways, the timing of the current turmoil in EM has been perplexing. The proximate trigger appears to have been renewed concerns over the Fed's tightening and 10-year treasury rates briefly topping 3% during the 3rd week of April. Without being dismissive about the psychological impact of 10-years reaching 3% - a level they actually failed to hold – there was little new information during April to alter a familiar picture : the Fed has painstakingly signalled it is determined to normalize, but there are very few signs – from actual inflation data to expectations - it is falling behind the curve, or is perceived at risk to. In spite of much talk about inflation and ill-timed fiscal stimulus, the curve has remained very flat: it remains unclear to us where the impetus for a meaningful bear steepening could come from, without bringing the end of the cycle by undercutting equities and forcing widespread deleveraging. Meanwhile, broad economic indicators generally determining investor sentiment towards EM, such as the pace of economic expansion in China and commodities, have remained supportive. Most prominently, the rise of oil (a mixed blessing for EM in itself) is widely considered to reflect strong global demand, at least as much as supply shortfalls. Finally, a strong dollar is never good news for EM; however, we note the Dollar index – a measure of the dollar vs. a basket of currencies – has so far only corrected back to its level at the start of 2018 and remains more than 4% below its level one year ago. As we noted in a previous letter, however, the dollar remains global markets' ultimate wild card – it is one of the most important variable for global markets (if not the most important one for EM) and one of the most difficult to predict.

While the timing of the recent bout of EM angst has been surprising, the narrative behind it is frustratingly familiar: in a world where the Fed is tightening, and the dollar is rising, EM countries reliant on foreign capital can only counter outflows in one of two ways: by providing a compelling investment case, or compelling valuations. The broad EM investment case remains solid – IMF forecasts growth accelerating to 4.9% from 4.8% last year and China is stable – but it is no longer compelling, as investors focus on a tall wall of worries: from tensions with the US (Russia, over its aggressive foreign policy; China and Mexico, over their external trade), to electoral uncertainty (Mexico & Brazil), to macroeconomic mismanagement (Turkey, and, to a lesser extent, Argentina). A stabilisation of the dollar and rates would help, but we believe sentiment is likely to have been damaged enough for investors to require EM specific positive triggers before they re-engage: NAFTA negotiations concluding successfully, the Argentine administration reaching its fiscal targets or the next Mexican and Brazilian presidents proving more investor-friendly than expected. None of those triggers are likely in the near-term. This leaves valuations as the only variable to bring demand for and supply of EM assets back in balance. A key concern would be if the valuation adjustment is severe enough it starts damaging fundamentals: we did see some of that dynamic during the first week of May, which saw a signification depreciation of EMFX (raising concerns about deteriorated creditworthiness for USD borrowers); while the Central Bank in Argentina was forced to hike rates to 40%, implying growth-crushing real rates around 15%. While valuations have often reached levels we judge fundamentally attractive, risk management and concerns about self-fulfilling effects will likely lead us to pare further the Fund's EM exposure in the near term.

The Fund's US$ share class is, after the recent EM market turmoil, roughly flat year-to-date. This compares with +0.15% for Euro High Yield; -0.39% for US High Yield; and -1.16% for EM High Yield. Where to from here?

We believe the performance of risk assets this year needs to be considered in the context of the dramatic rise of short-term US$ rates. In less than 6 months, 3-month Libor went up almost 100bps to its current level of 2.36%; meanwhile investors went from expecting 1.5 hikes in 2018, to 3.5 as of early May. Glass half-empty minded investors may find the performance of risk assets has been disappointing; glass half-full investors – a cohort your Fund Manager belongs to on this occasion – believe their resilience has been remarkable, given the scale of repricing in the short-end. In contrast with normalisation already well underway in the US, the ECB has remained unable to even provide a guide for exit and was most recently forced to acknowledge the loss of economic momentum in Europe, while Eurozone core inflation dipped back below 1%. The divergence of policies between the Fed and the ECB should continue to have several consequences for credit, in our view.

First, it will continue to make Euro-denominated fixed income "attractive" through 3 channels. The blow-up of spread between Libor and Euribor (to 2.7%, from 1.5% a year ago) means investors funding in Euros are increasingly constrained to holding Euro-denominated assets, with the cost of hedging US$ assets now prohibitive. In effect, the ECB's excess liquidity is being trapped in the Eurozone, in contrast with last year, when it still found its way in global markets (and EM), helping offset some of the Fed tightening. Conversely, there is some evidence global investors are investing in Euro-denominated assets, effectively improving any yield earned with the 2.7% "risk-free spread" on their hedges – a trade we mentioned in our previous letter. Finally, while the Fed's normalisation will continue to be a factor of volatility, Euro-denominated assets will remain underpinned by the ECB's forward guidance that "rates [...] remain at their present levels [...] well past the horizon of the net asset purchases."

Second, higher short-rates will continue to pressure risk-assets valuations: cash has become a viable alternative and should continue attracting risk-averse investors, in particular given deteriorating risk-rewards implied by higher realised volatility and the failure of most US$ risk markets to beat cash year-to-date. Here again, however, investors funding in Euro do not have the luxury to hold cash, which should continue underpinning Euro corporate bonds.

The right portfolio positioning, at this point, may therefore seem straightforward: shouldn't investors flee the volatility of US$ assets and take refuge in the Eurozone? We believe the trade has tactical merits, but also limits. Beyond risk management (any significant hedge book brings basis and liquidity risks), we believe rising rates make US$-fixed income incrementally more attractive and safer, than Euro-assets. We have little doubt large swaths of government and corporate bond markets in the Eurozone are currently fundamentally mispriced: it would not take much for global tactical flows to reverse if a reassessment of the ECB path leads them to question the wisdom of holding the government bonds of some troubled Eurozone countries such as Italy. While we are keenly aware of investors' focus on whether the Fed will hike 3 or 4 times, we remain convinced the Fed will not deliver any policy shock in 2018. Given current valuations in Euro fixed income markets, investors must prey the ECB doesn't either. Although hedging costs will remain a drag, we therefore believe it makes sense for investors to continue favouring US$-assets, as the Fund intends doing.

Monthly Performance since Inception

Class F (USD, MT7000005617)

	Jan	Feb	Mar	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.49%	-0.09%	-0.08%	0.39%									**0.71%**
2017	1.12%	1.30%	0.50%	0.98%	1.28%	-0.10%	0.66%	0.94%	0.48%	0.63%	-0.19%	0.44%	**8.33%**
2016	-0.34%	0.03%	2.86%	2.12%	0.55%	0.03%	1.96%	1.18%	-0.14%	0.36%	-0.72%	1.36%	**9.56%**
2015	-0.22%	1.80%	1.38%	1.66%	0.93%	-0.54%	-0.19%	-1.19%	-1.27%	1.82%	0.73%	-0.99%	**3.91%**
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%**
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%**
2012							0.15%	0.72%	0.78%	2.11%	1.24%	1.72%	**6.90%**

Class D (Euro, MT7000005591)

	Jan	Feb	Mar	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.32%	-0.36%	-0.32%	0.19%									**-0.18%**
2017	0.82%	1.05%	0.40%	0.85%	1.13%	-0.23%	0.50%	0.78%	0.34%	0.42%	-0.29%	0.22%	**6.15%**
2016	-0.42%	-0.01%	2.57%	1.92%	0.39%	-0.08%	1.81%	0.98%	-0.25%	0.15%	-1.01%	1.23%	**7.44%**
2015	-0.29%	1.82%	1.33%	1.55%	0.97%	-0.63%	-0.50%	-1.27%	-1.46%	1.77%	0.91%	-1.13%	**3.35%**
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%**
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%**
2012							0.20%	0.66%	0.70%	2.04%	1.20%	1.62%	**6.59%**

Class E (GBP, MT7000005609)

	Jan	Feb	Mar	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.39%	-0.24%	-0.23%	0.30%									**0.22%**
2017	1.01%	1.21%	0.40%	0.94%	1.21%	-0.18%	0.56%	0.85%	0.33%	0.57%	-0.24%	0.29%	**7.17%**
2016	-0.38%	-0.08%	2.79%	2.07%	0.48%	0.03%	1.95%	1.01%	-0.22%	0.29%	-0.94%	1.30%	**8.55%**
2015					0.69%	-0.51%	-0.17%	-1.21%	-1.29%	1.86%	0.68%	-1.02%	**-1.01%**

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

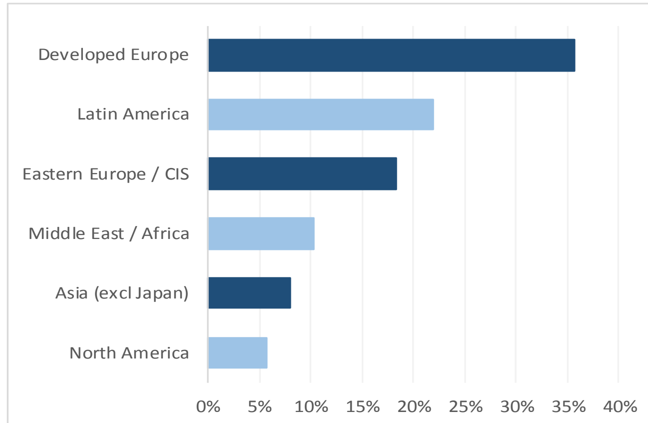
Fund Information as of April, 2018

	Rating	NAV (%)	Price	Duration	Yield	Spread
SphereInvest Global Credit Strategies	B+	100 %	100.5	4.0	6.8 %	481
Cash and Equivalents	AA	13 %				

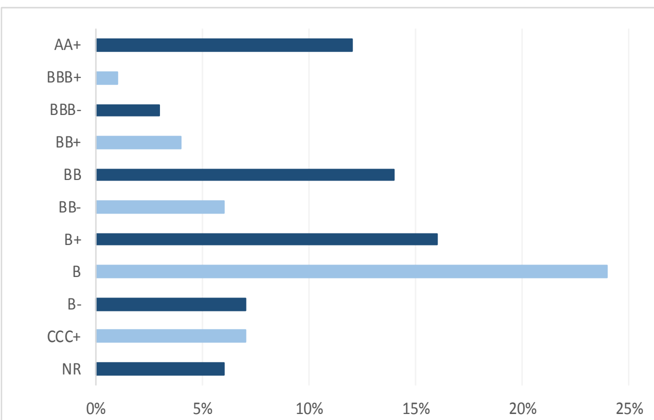
Top 10 Holdings (in % of NAV, 26/04/18)

Bond	%
6.75% Hercule Debtco SARL, 2024	3.7%
6.75% Telefonica Celular del Paraguay, 2022	3.7%
8.75% DNO ASA, 2020	3.7%
9.125% HTA Group Ltd, 2022	3.5%
8.25% Verallia, 2022	3.4%
8.625% Banglalink Digital Comm, 2019	3.3%
5% IRSA Propiedades, 2020	3.2%
6.875% VRIO 1 LLC/VRIO 2 INC, 2028	3.2%
5% OCI N.V., 2023	3.0%
8.75% Eurotorg LLC, 2022	2.9%

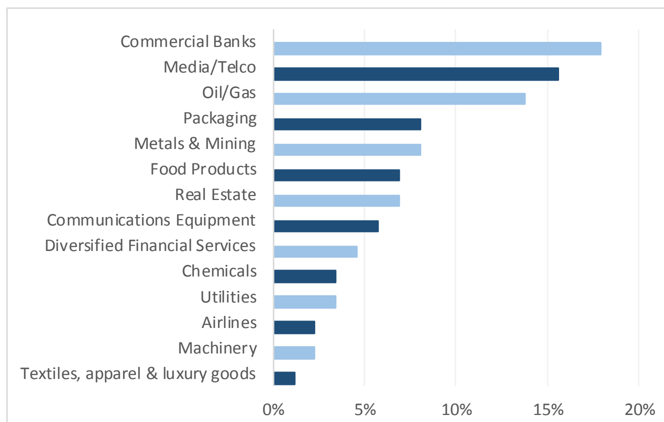
Regional Allocation (excl. cash & equiv)



Credit Quality



Sector Allocation (excl. cash & equiv)



Fund Terms

Regulatory	UCITS V	Domicile	Malta
Liquidity	Weekly	Custodian	RBC International
Start Date	2nd July 2012	Auditor	Deloitte & Touche
Management Fee	1.5% (Retail) 1% (Institutional)	Legal Counsel	Ganado & Associates
Performance Fee	5% Incentive Fee	Administrator	Equinoxe Alternative Investment Services (Part of the Apex Group)
Minimum Investment	Retail = 25,000 (GBP, EUR, USD, CAD, CHF) Institutional = 200,000 (GBP, EUR, USD, CAD, CHF)		