SphereInvest | GROUP

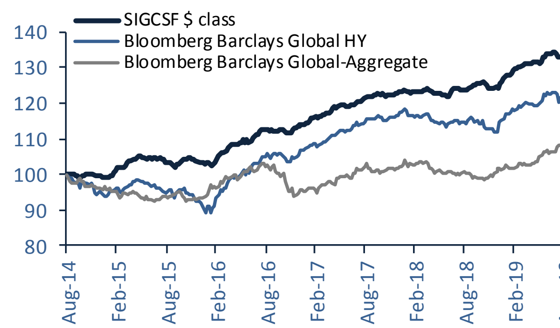
GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

Class F (USD): MTD return: -1.43% 2019 return: 6.40% NAV per Share: 161.08
Class D (EUR): MTD return: -1.70% 2019 return: 4.34% NAV per Share: 145.39
Class E (GBP): MTD return: -1.60% 2019 return: 5.21% NAV per Share: 119.78

	2019	1 year	5 years		Since Inception	
	Return	Return *	Return *	Sharpe	Return *	Sharpe
SIGCSF Class F (US$)	**6.4%**	**7.0%**	**5.7%**	**1.9**	**6.8%**	**2.6**
Bloomberg Barclays Global HY	8.4%	5.9%	3.9%	0.6	5.9%	1.1
ICE EM High Yield	7.6%	9.7%	4.9%	0.7	6.3%	1.1
ICE Europe High Yield	9.3%	5.6%	4.3%	0.8	6.9%	1.7
ICE US High Yield	11.1%	6.5%	4.8%	0.7	6.2%	1.2
Bloomberg Barclays Global-Agg.	7.5%	7.9%	1.6%	0.1	1.7%	0.2
MSCI World	13.2%	-2.2%	4.1%	0.2	7.8%	0.6
MSCI Emerging Markets	0.4%	-8.3%	-2.2%	-0.2	0.4%	0.0

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



Source: SphereInvest Group; Bank of America Merrill Lynch

Portfolio and Market Commentary

August was more challenging for the Fund, due to the sharp deterioration of financial conditions in Argentina, and, more broadly, complex markets, characterised by conflicting narratives and volatile investor sentiment.

As discussed in our previous letter, policy uncertainty and event risks have gradually sapped confidence among global corporate decision-makers and investors – although not yet among consumers - and driven investors into safe havens as the year progressed. While we broadly agreed this was a rationale reaction, the market never knows how to brake once it has a good thing going, and the August spectacular rates rally has now left investors facing the question “how much was too much?”. Setting aside the possibility the last leg of the rally was just momentum chasing, we believe risk-averse investors may soon need to confront the possibility, while trying to hedge against a global recession, they inadvertently took an active, increasingly expensive, bet on what was actually a tail scenario - and one which is growing less likely in our view.
While we do not want to read too much in the recent rotation out of defensive assets, the reversal of momentum will, at the very least, force investors to question their assumptions. How likely is a global recession really? Major central banks are loosening again (with some tentative success in re-steepening curves already). The US President keeps playing it by ear. Beyond the daily noise, however, his overriding concern is likely unchanged: he needs to ensure a strong economy going into 2020, which probably explains recent signs he is more concerned about downside risks for the US economy. The Brexit agony appears likely to drag on and on, which is still better (just maybe) than a cliff-edge exit shock. Widespread focus on trade tensions between the US and China, even if legitimate, is probably obscuring a series of more sector- and geographically-focused shocks, a few of which may

now be fading. The new, more EU-friendly Italian government justifies some optimism the country can converge back towards trend, which had been interrupted by the previous administration's confrontational stance.

Although difficult to quantify, it seems likely some of the slowdown in 2019 was a lagged effect of last year's tightening by the Fed. As often, that impact was most visible among USD-leveraged borrowers, such as Turkey – a country which is now showing signs of recovery. Finally, while we have reservations – like most, including among the ECB board itself - about the effectiveness of the ECB's newest monetary stimulus package, we do believe it will be helpful, if only on one front: by highlighting the patently absurd and increasingly unsustainable monetary/fiscal mix in the Eurozone. We do expect calls for a more appropriate fiscal policy in Europe to grow ever louder. Some political impetus could come from change of guards at the ECB and the European Commission. Ultimately, fiscal policy needs to change in Berlin. How likely is this? The question isn't whether fiscal stimulus is economically justified – it is. Answering it therefore requires a deeper understanding of cultural and political sensitivities than we possess. We do note, however, the debate about deficit spending, infrastructure and green economy investments, getting rid of the "black zero", is no longer confined to Southern countries critical of Germany, but is now happening in Germany itself - both among leading think-tanks, the financial press, and the government itself. We have no doubt a change in fiscal policy in Germany would be a game changer for global markets: although we believe it is early to position accordingly, it will be important, in coming months, to gauge whether such a narrative manages to gain traction.

Argentina remains a specific case, with limited read-across to global markets. A series of policy mistakes, cultural and institutional flaws, and poor investor positioning all combined into an economic crisis which could have been avoided. However, the struggle investors face in both Argentina and global markets is strangely similar: how to navigate near-term uncertainty towards a medium-term horizon which is unlikely to validate current pessimism?

The situation in Argentina is complex, and we encourage interested readers to get in touch for a more detailed discussion. The unexpected outcome of the primaries on august 11th has effectively opened a three-month window of policy-making limbo – an eternity for a country where institutions are still too weak to guarantee basic policy continuity from one administration to the next. The government of Mauricio Macri has been trying, somewhat haphazardly and with only relative success, to limit the peso devaluation, but depositors' and foreign investors' collapse of confidence can only be effectively addressed by the next president – most likely, Alberto Fernandez of the centre-left. Politicians' horizon differs from investors', however. Political stress isn't the same as market stress: it has become increasingly clear over recent weeks Fernandez lacked incentives to help Macri restore market stability. While consistent with the behaviour of a politician seeking to unseat an incumbent, there is no doubt Alberto Fernandez' uncooperative stance means he will inherit an economy in worse shape than could have been. Beyond the current period of extreme volatility, however, investing in select Argentine hard currency bonds now requires – maybe paradoxically – fewer assumptions than in more stable countries, in our view: from current depressed valuations, targeting likely "survivors" will be enough to ensure high double-digit returns. While we don't count the Sovereign itself among such survivors (its bonds are already priced for restructuring involving substantial haircuts), we believe the default probability for select local corporates, notably in the energy sector, is considerably lower than implied by the yields on their bonds.

Monthly Performance since Inception

Class F (USD, MT7000005617)

	Jan	Feb	Mar	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	YTD
2019	2.34%	1.46%	0.60%	1.06%	0.22%	1.08%	0.93%	-1.43%					**6.40%**
2018	0.49%	-0.09%	-0.08%	0.39%	-0.71%	-0.75%	1.98%	-0.54%	0.87%	0.46%	-0.81%	0.07%	**1.26%**
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
2019	2.14%	1.22%	0.30%	0.77%	0.02%	0.94%	0.63%	-1.70%					**4.34%**
2018	0.32%	-0.36%	-0.32%	0.19%	-1.04%	-0.99%	1.75%	-0.66%	0.68%	0.19%	-1.08%	-0.20%	**-1.56%**
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%	-0.20%	-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
2019	2.26%	1.33%	0.39%	0.82%	0.03%	1.01%	0.89%	-1.60%					**5.21%**
2018	0.39%	-0.24%	-0.23%	0.30%	-0.84%	-1.09%	1.80%	-0.74%	0.89%	0.34%	-1.02%	-0.66%	**-1.14%**
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	-0.39%	-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.

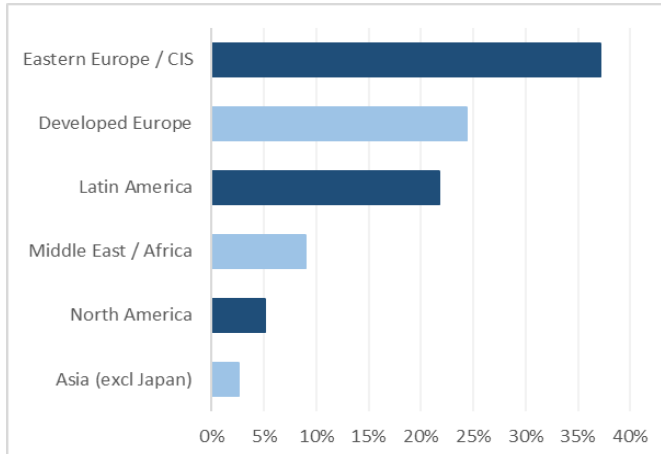
Fund Information as of August, 2019

	Rating	NAV (%)	Price	Duration	Yield	Spread
SphereInvest Global Credit Strategies	BB-	100 %	99.1	2.8	6.7 %	569
Cash and Equivalents	AA+	22 %				

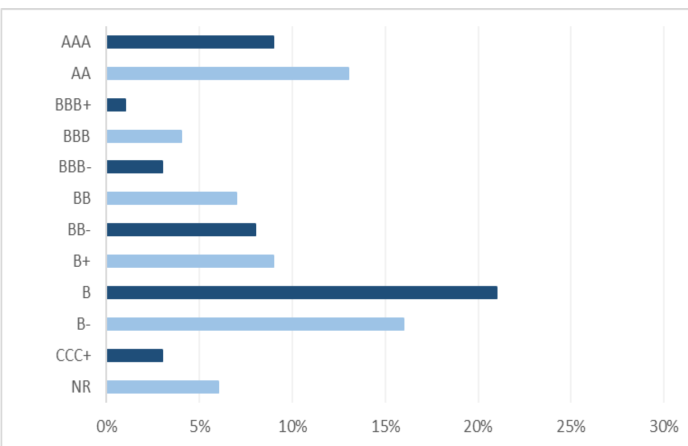
Top 10 Holdings (in % of NAV, 29/08/19)

Bond	%
9.875% Global Ship Lease, 2022	3.6%
9.50% IHS Netherlands, 2021	3.3%
8.75% Eurotorg, 2022	2.9%
3.125% Gazprom, 2023	2.8%
8.75% DNO ASA, 2020	2.8%
11.00% Silknet, 2024	2.6%
6.748% MV24 Capital, 2034	2.5%
6.125% Lukoil, 2020	2.4%
4.75% JSW Steel, 2019	2.3%
7.125% Naftogaz, 2024	2.2%

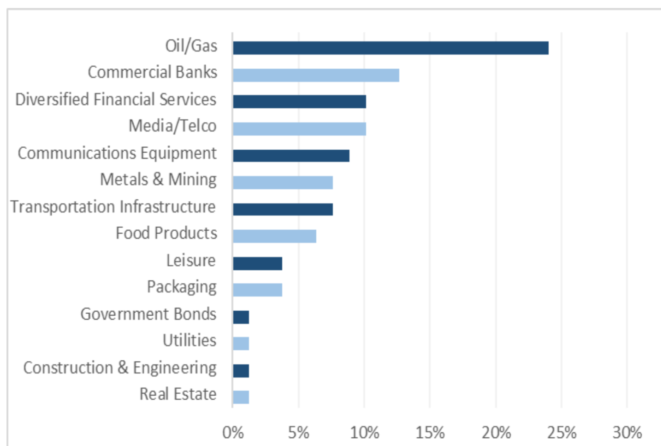
Regional Allocation (excl. cash & equiv)



Credit Quality



Sector Allocation (excl. cash & equiv)



Fund Terms

Regulatory	UCITS V	Domicile	Malta
Liquidity	Daily Pricing / Weekly dealing	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	Apex Fund Services (Ireland) Limited
Minimum Investment	Retail = 25,000 (GBP,EUR,USD,CAD,CHF,NOK) Institutional = 200,000 (GBP,EUR,USD,CAD,CHF,NOK)		