SphereInvest | GROUP

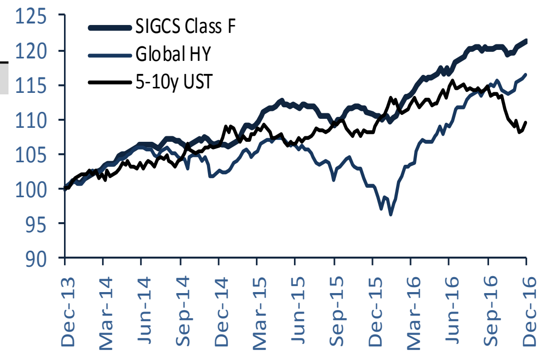
MORNINGSTAR ★★★★★

GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

Class F (USD): MTD return: 1.36% 2016 return: 9.56% NAV per Share: 138.00
Class D (EUR): MTD return: 1.23% 2016 return: 7.44% NAV per Share: 133.35
Class E (GBP): MTD return: 1.30% 2016 return: 8.55% NAV per Share: 107.45

	2016	1-year		3 years		Since Inception	
	Return	Return *	Sharpe	Return *	Sharpe	Return *	Sharpe
SIGCSF Class F (US$)	**9.6%**	**9.6%**	**3.16**	**6.6%**	**2.41**	**7.3%**	**2.80**
BOFA Global High Yield	15.9%	15.9%	2.48	5.1%	0.94	7.0%	1.46
BOFA EM High Yield	17.3%	17.3%	3.25	6.0%	0.86	7.1%	1.12
BOFA Europe High Yield	9.3%	9.3%	1.87	5.4%	0.76	8.9%	1.49
BOFA US High Yield	17.5%	17.5%	2.34	4.7%	0.76	6.4%	1.21
BOFA US Treasury 5-10yrs	1.2%	1.2%	0.12	3.0%	0.60	1.1%	0.18
MSCI World	11.1%	11.1%	0.70	2.1%	0.14	7.9%	0.62
MSCI Emerging Markets	16.7%	16.7%	0.78	-4.5%	-0.28	-1.9%	-0.13



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

Source: SphereInvest Group; Bank of America Merrill Lynch

Portfolio and Market Commentary

From investors' narrow perspective, one of 2016's defining features was the contrast between the perception of historically high policy uncertainty and financial markets' placidity during most of the year. The lack of volatility was even more surprising, given investors general failure to forecast the year's two monumental political upheavals: the vote of the UK to leave the EU and the election of Donald Trump. Some key assets did see sharp re-pricings: Sterling fell 17% against the Dollar after June 23; while US treasuries tumbled 2.7% after November 8, leading the market to its worst quarter since 1981. Broad markets absorbed those moves with little evidence of distress, however. Strikingly, January 2015's Swiss Franc unpeg or May 2015's Bund sell-off, both fairly benign events in hindsight, were bigger "VaR shocks" (as implied by market losses and forced deleveraging evidence) than any of 2016's events. 2016 started with investors focusing on a budding EM crisis with China at its centre: a near-term concern that proved misplaced too, as Chinese policymakers postponed rebalancing of the economy, helping to unleash a spectacular rally in Chinese proxy trades, from EM assets to commodities. In many ways, 2016 was the year that rewarded consensus for being wrong ex ante, right ex post. Our letter includes a table providing an overview of the performance of the key markets relevant to the Fund.

It is tempting to blame complacency, short-termism, or inability to deal with "fat tails" when markets fail to react to dramatic, apparently negative, developments. We'd seek more convincing explanations:

- 2016's political shocks occurred on a backdrop of better-than-expected economic data across both DM and EM. According to an index compiled by Citigroup, major economies beat expectations by the most since late 2013, after two years of falling short. The recent surge in inflation expectations is sometimes ascribed to the incoming US administration's expected fiscal stimulus. In truth, inflation pressures were building through 2016. Improvement in Chinese producer prices, to 3.3% year-on-year as of November, after more than 4 years of deflation, counts among last year's most important developments, in our view.

- The enemy of my enemy is my friend? In effect, investors benefited from a double forecasting failure. Having first failed to forecast the event itself, they failed to correctly assess its impact. Echoing financial markets' placid reaction, Brexit and the US election did not deliver the short-term blow to confidence many feared. To the contrary, consumption and investment in the UK proved surprisingly resilient, while US consumers confidence surged to 15-year high in December. If investors are being complacent, then they are in good company.

- While we see little economic upside for either the EU or the UK from Brexit, the election of Donald Trump offers clearer promise for investors. Fiscal stimulus, deregulation and tax reform, are most likely to deliver a near-term boost to growth, while trade tensions, due to the new administration's ideological bent or the currency dislocations unleashed by its policies, represent the clearest downside risk. Brexit and the election of Donald Trump do share a common point, besides their societal drivers: their actual economic impact won't be confirmed before many months, if not years, leaving investors' expectations to be largely driven by signalling in the meanwhile.

- Investor malaise at the start of 2016 was partly linked to rising concerns about monetary policy diminishing returns. While we never fully subscribed to the notion risk assets valuations were "artificially" propped by Central Banks, we do believe that view has remained an overhang on risk markets since 2013's taper tantrum. At the very least, the combination of late cycle upswing of the global economy and possible fiscal stimulus in the US, offers a chance to break free from the loose monetary / restrictive fiscal policy loop, which characterized the post-GFC period, and is providing investors with a new narrative to justify risk assets valuations.

Where does this leave credit markets, at the start of 2017?

As an asset class, credit benefits from low volatility and low interest rates, while stronger economic growth is an ambiguous blessing rather than a requisite, as evidenced by the years of mediocre growth since 2010. We expect policy uncertainty, in particular because Mr. Trump's policies will likely create microeconomic winners and losers, to result in higher volatility and risk premiums. Higher risk-free rates, on the other hand, are not a key concern for HY credit markets yet, in our view. Given uncertain and lagged policy implementation and some market tightening (due to the stronger dollar), we do not expect the Fed to hike faster than guided last December (3 hikes) during 2017. With real rates likely to remain at historically low levels through 2017 at least, we expect credit spreads to tighten, as they did during the previous tightening cycle (during 2004-2006, when US HY delivered 20% over 2 years, while spreads tightened ~110bps and key rates increased 425bps). We expect EM credit to trade as a higher beta version of US HY in 2017 – possibly with a negative skew since we would expect higher underperformance than outperformance potential. The

“EM” moniker covers widely diverse situations, strengths and vulnerabilities. Overall, however, we believe “pull factors”, notably if the reform drive in key countries such as Brazil or Argentina is maintained and commodities remain stable, to prevail over “push factors” such as higher US policy rates and a stronger Dollar, both key risks to the asset class in 2017. Our expectations could be challenged if the new US administration were to adopt an aggressively protectionist stance, although we would not expect a strong performance of US HY in such a scenario either. While we continue to find pockets of value in Euro HY and GBP HY, we believe the near-term outlook for the market as a whole is more challenging than in the US or in EM. As in January 2016, Euro HY is starting 2017 with a combination of tight valuations and looming political risks, given a heavy elections schedule across the continent. Contrary to early 2016, however, investors have now started the process of pricing in monetary policy normalization, without much offsetting hope of a fiscal policy rethink or new structural reforms momentum in the EU, at least until mid-2017 – a potentially negative mix for valuations, in our view.

Monthly Performance since Inception

Class F (USD, 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%	-0.99%	**3.91%**
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%**

Class D (Euro, 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%	-0.50%	-1.27%	-1.46%	1.77%	0.91%	-1.13%	**3.35%**
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%**

Class E (GBP, 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%	-1.02%	**-1.01%**
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%**

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

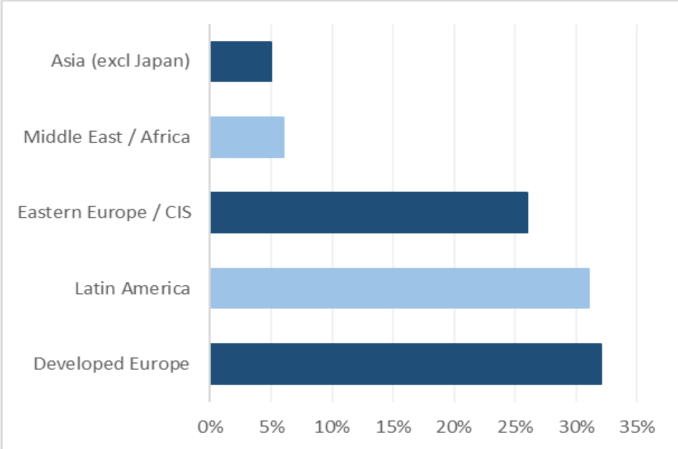
Portfolio Composition

	Rating	NAV (%)	Price	Duration	Yield	Spread
SphereInvest Global Credit Strategies	BB	100 %	100.3	2.7	4.4 %	389
Cash and Equivalents	AA	38 %				

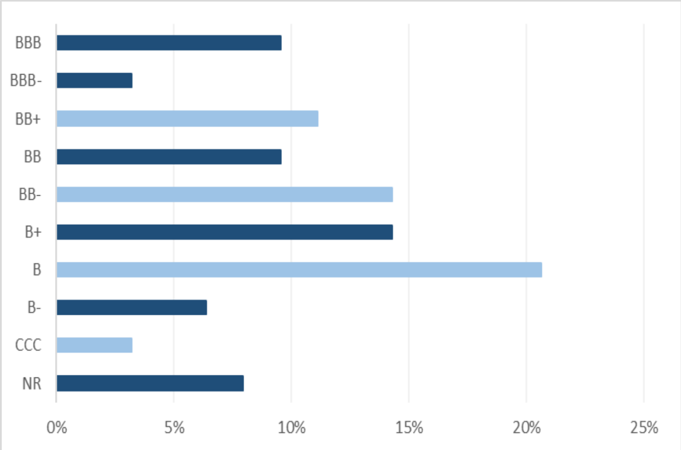
Top 10 Holdings (in % of NAV, 30/12/16)

10% Wind Hellas, 2021	3%
7.875% United Group BV, 2020	3%
8.625% Banglalink Digital Comm, 2019	3%
9.75% Aeropuertos Dominicanos, 2019	3%
4.204% Phosagro, 2018	3%
6.625% Rosneft International Finance, 2017	3%
5.4% Sberbank, 2017	3%
7.25% Unifin Financiera SA, 2023	2%
8.25% MHP SA, 2020	2%
6.25% Jerrold Finco Plc, 2021	2%

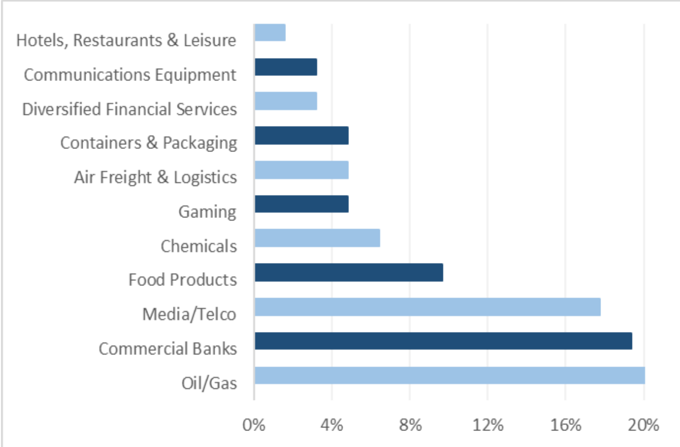
Regional Allocation



Credit Quality (excl. cash & equiv)



Sector Allocation



Fund Terms

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