SphereInvest | GROUP

MORNINGSTAR ★★★★★

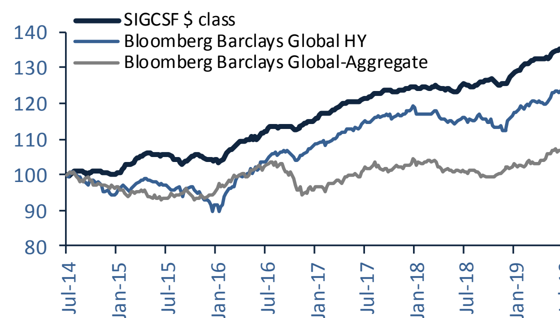
GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

Class F (USD): MTD return: 0.93% 2019 return: 7.95% NAV per Share: 163.42
Class D (EUR): MTD return: 0.63% 2019 return: 6.15% NAV per Share: 147.90
Class E (GBP): MTD return: 0.89% 2019 return: 6.92% NAV per Share: 121.73

	2019	1 year	5 years		Since Inception	
	Return	Return *	Return *	Sharpe	Return *	Sharpe
SIGCSF Class F (US$)	**8.0%**	**8.0%**	**6.2%**	**2.1**	**7.1%**	**2.7**
Bloomberg Barclays Global HY	9.7%	6.6%	4.3%	0.6	6.2%	1.2
ICE EM High Yield	10.3%	10.3%	5.4%	0.9	6.8%	1.2
ICE Europe High Yield	8.6%	4.8%	4.2%	0.8	6.9%	1.7
ICE US High Yield	10.6%	6.7%	5.0%	0.8	6.2%	1.2
Bloomberg Barclays Global-Agg.	5.4%	6.3%	1.3%	0.0	1.5%	0.1
MSCI World	15.4%	1.2%	4.8%	0.3	8.1%	0.6
MSCI Emerging Markets	6.1%	-4.0%	-0.8%	-0.1	1.2%	0.0

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



Source: SphereInvest Group; Bank of America Merrill Lynch

Portfolio and Market Commentary

The abrupt escalation of trade tensions in early August, just after, as widely expected, the Fed cut target rates, is unlikely to have marked a turning point or a change in narrative for global markets, in our view. Yet, the latest escalation has only sharpened fears underlying the year-to-date rally in safe-havens, while unable to deflate risk assets.

While the former increasingly betray moribund animal spirits and rising recession fears, the later still signal a degree of investor complacency and indecision. Below, we summarise the current state-of-play, and how we plan to position in the near-term.

- Political and geopolitical tensions are occurring on a backdrop of weakening global growth, led by manufacturing. While trade tensions are playing a part to explain the loss of momentum, global manufacturing is ailing for other reasons as well, such as structural changes in the automotive sector and the electronics downturn. Contrary to expectations at the start of the year, the Chinese leadership is proving tolerant for slower growth and, therefore, a strong domestic stimulus appears increasingly unlikely. Unresolved trade tensions are, however, raising the risk China resorts to a weaker Yuan to support its external sector, worsening global deflationary trends. For all the concerns about a global recession, however, the non-tradable sector has remained strong across DM, supporting job markets and consumption. While this is cushioning the global economy from the manufacturing downturn, it is also giving politicians the space to pursue some of the policies blamed for the global slowdown.

- Uncertainty is being weaponized by politicians. The US president is pursuing its trade negotiations through very public announcements, rolling deadlines, an apparent casual tolerance for the potential economic costs of his tactics, and an increasingly unclear "end-game". In Europe, the Brexit negotiations (or lack thereof) appear to have shrunk to a game of chicken, with both parties hurtling towards a cliff-edge Brexit and daring the other to swerve. Uncertainty is a fact of life, but the current level is cultivated and man-made: the possibility of a sudden resolution – however unlikely – means evasive actions (such as hoarding inventories, shifting supply chains; or, in financial markets, selling risk assets) could quickly prove unjustified. In the real economy, anecdotal evidence points to widespread wait-and-see behaviour – such as delaying investments, but also failing to adequately prepare for adverse outcomes. In financial markets, this, in part at least, explains the resilience of risk assets in the face of mounting risks.

- The recent collapse in rates, beyond near-term triggers (trade tensions, the yuan weakening, and a "race to the bottom" by various CBs), reflects investors' conviction DM central banks have already lost their battle to revive inflation. The increasing normalisation of negative rates – blamed on out-of-control CB activism only a few years ago – also reflects structural changes which won't reverse anytime soon – in broad strokes, the imbalance between the supply of safe assets, and the accumulation of wealth looking to be preserved rather than re-invested. While rates may remain volatile (and increasing duration and convexity could make future episodes of volatility painful), we do not see the conditions for a sustained rise in government bond yields.

How to position at this juncture?
The key difficulty facing investors, in our mind, is how to reconcile day-to-day noise with end-of-cycle concerns. An uncomfortable ride is only acceptable as long as the destination is known and attractive; a bumpy ride to an unknown, or worse destination, obviously raises doubts the ride is worth taking at all. It is increasingly difficult to be confident the US and China are actually aiming to resolve their trade dispute anytime soon; while the probability of a "No-Deal Brexit" appears to be growing by the day. Barring a significant fiscal stimulus in Europe – which would require a political epiphany still hard to envisage in Germany – we struggle to see how economic activity could re-accelerate. Judging by inflows into safe havens, many investors appear to have concluded they would rather sit this one out. We have some sympathy for that stance – even though we must confess we aren't yet able to fully embrace the beauty of negative yields or 30-year treasury rates around 2.2% (it may take another generation of investors to buy bonds at such levels without any shudder). Our own strategy to "sit this one out" has therefore been to reduce our direct exposure to either Brexit or global trade, and increase our allocation to short-dated bonds (Lukoil '20, JSW '19, DNO '20), domestic-oriented credit stories (Eurotorg '22, Trans-Oil '24, Silknet '24, most of our EM commercial banks and telecom exposures), or credits with clear idiosyncratic drivers. This is the case, in particular, of Global Ship Lease, or single largest exposure at the end of July. Global Ship Lease is a container ship leasing company: while on the surface directly exposed to slowing international trade, it is currently benefiting from a well-executed merger with a competitor last year, and several strong tail-winds, such as the new sulphur emissions regulations kicking in next year, or the much improved supply/demand balance in container ships.

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%						**7.95%**
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%						**6.15%**
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%						**6.92%**
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.

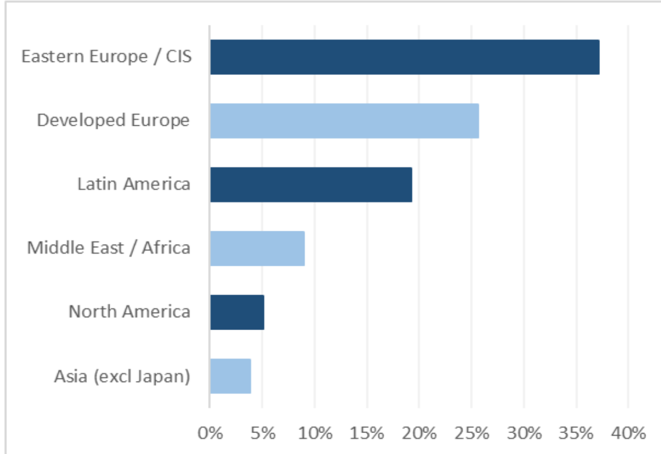
Fund Information as of July, 2019

	Rating	NAV (%)	Price	Duration	Yield	Spread
SphereInvest Global Credit Strategies	BB-	100 %	100.2	2.8	6.4 %	504
Cash and Equivalents	AA+	22 %				

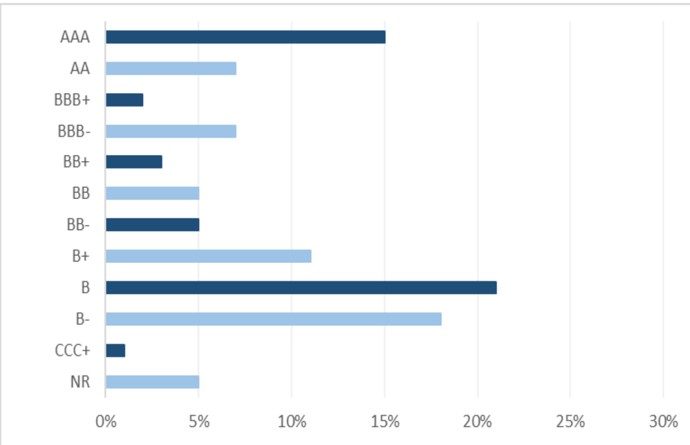
Top 10 Holdings (in % of NAV, 01/08/19)

Bond	%
9.875% Global Ship Lease, 2022	3.9%
9.50% IHS Netherlands, 2021	3.6%
8.75% Eurotorg, 2022	3.1%
11.00% Silknet JSC, 2024	2.8%
6.125% Lukoil, 2020	2.6%
8.75% DNO ASA, 2020	2.6%
4.75% JSW Steel, 2019	2.5%
6.75% KME AG, 2023	2.4%
10.00% Crystal Almond, 2021	2.3%
12.00% Trans-Oil, 2024	2.2%

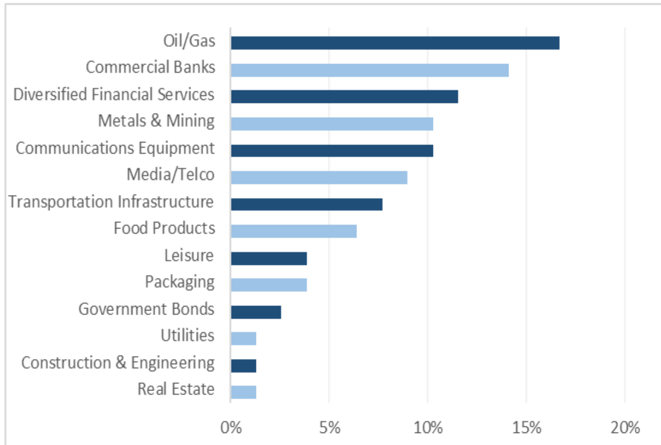
Regional Allocation (excl. cash & equiv)



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	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)		