SphereInvest | GROUP

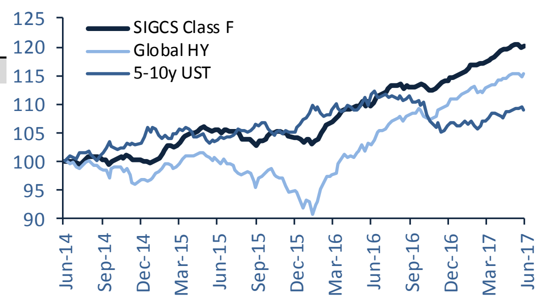
MORNINGSTAR ★★★★★

GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

Class F (USD): MTD return: -0.10% 2017 return: 5.18% NAV per Share: 145.15
Class D (EUR): MTD return: -0.23% 2017 return: 4.08% NAV per Share: 138.80
Class E (GBP): MTD return: -0.18% 2017 return: 4.67% NAV per Share: 112.47

	2017	1-year		3 years		Since Inception	
	Return	Return *	Sharpe	Return *	Sharpe	Return *	Sharpe
SIGCSF Class F (US$)	**5.2%**	**9.4%**	**4.11**	**6.3%**	**2.23**	**7.6%**	**2.99**
BOFA Global High Yield	4.9%	12.0%	3.45	4.8%	0.84	7.3%	1.56
BOFA EM High Yield	5.1%	11.1%	3.31	5.2%	0.73	7.4%	1.22
BOFA Europe High Yield	4.4%	10.4%	3.62	5.0%	0.69	8.9%	1.55
BOFA US High Yield	4.9%	12.7%	3.13	4.5%	0.68	6.8%	1.30
BOFA US Treasury 5-10yrs	2.6%	-2.3%	-0.70	2.9%	0.56	1.5%	0.26
MSCI World	10.3%	16.8%	1.92	3.7%	0.26	9.2%	0.75
MSCI Emerging Markets	17.2%	21.2%	1.50	-1.6%	-0.12	1.4%	0.07



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

Source: SphereInvest Group; Bank of America Merrill Lynch

Portfolio and Market Commentary

Market developments were often confusing during June, as investors assessed conflicting narratives in a context of elevated valuations across risk assets.

The month started with rates rallying as market inflation expectations fell further: by the first week, 5yr5yr breakevens, one such measure of expectations in the US, had fallen back to last November's level, effectively entirely unwinding the "Trump reflation trade". While lower commodity prices, led by the collapse of oil, probably contributed to this renewed decline, tepid wage growth during June confirmed once again the absence of labour-led inflationary impetus in the US.

By mid-month, a succession of more hawkish than expected central bank developments led markets to sharply reprice monetary policy outlooks. The Fed hiked on June, 14th - as widely expected – but also dismissed continued softness in inflation as driven by temporary factors, while discussing "somewhat rich" asset valuations. The next day, the BOE voted on holding rates, although by a narrower-than-expected 5-3 split, reflecting the challenging combination of import inflation, slowing economic activity, and high consumer leverage. Finally, in Europe, while President Draghi was as cautious as ever during the ECB meeting earlier in June, his remarks at the Sintra Forum on June 26 shocked markets by expressing confidence "the threat of deflation is gone and reflationary forces are at play" – triggering the biggest surge in German benchmark yields in nearly two years and a global sell-off in rates.

Central banks' perceived hawkishness during June largely overshadowed favourable fundamental developments, broadly confirming the synchronized global economic upswing. While risk assets remained resilient to development in rates during June and early July, the goldilocks combination of benign economic data, good Q2 earnings expectations, and low inflation would usually have justified a stronger performance. The fact risk appetite stalled during June brings important questions to the fore, in our view.

An ever-recurring question is the extent to which risk asset valuations may have been "artificially" boosted by central bank support. In our view, however, this question is superfluous: extraordinary monetary policy since the GFC had an impact on valuations, but also on corporate earnings and overall economic conditions: trying to quantify how much valuations differ from some theoretical level is as impossible as assessing how global GDP would have evolved with tighter monetary policies.

The Fed's ongoing policy normalization provides some indication how valuations could react to tightening by other major CBs. We believe risk assets will again prove more vulnerable to the perception of policy mistakes than to the actual tapering of asset purchases and rates increases. To the extent global growth remains solid – a key differentiation point from summer 2013, when former chair Bernanke first hinted at tapering at a time of higher anxiety about China's slowdown – we would also expect markets to remain resilient.

We recognize the recent emphasis on financial stability by the Fed appears to be giving credence to the notion valuations are kept elevated by monetary policy, and normalization is warranted to avoid inflating bubbles. Our own reading: the Fed is simply trying to avoid market complacency. Investors rightly listen whenever the Fed believes assets are rich. However, markets will prove very vulnerable if the perception grows this Fed is mostly focused on normalizing for the sake of financial stability, at a time when inflation is still undershooting its mandate.

What does this all mean for credit markets? In the near term, credit will remain hostage to rate developments. Sovereign yields are spiking while inflation expectations are stable at best, implying a rise in real rates, a net negative for risk assets. The traditional framework linking rising rates and tightening corporate credit spreads when the growth outlook is improving appears less relevant when spreads are already historically tight. Some of the higher-rated segments of HY markets are likely to behave as investment grade usually does at this point of the cycle, with excess returns positive, but total returns negative. The case for weaker credits is ambiguous. While favourable macro conditions could still drive some spread compression, weaker investor sentiment is a key near-term risk. We have already seen in recent weeks a few corporates forced to issue at higher than expected yields or unable to issue altogether. Higher underwriting discipline is welcome, but will also raise mark-to-market risk by exposing stretched valuations and, ultimately, raise refinancing risk - although we still expect this to affect only marginal credits.

Looking beyond the near term, we expect this welcome correction to remain shallow: its drivers are not endogenous to credit markets, while major CBs are still grappling with too little inflation - not too much - and have no interest in seeing financial conditions tighten excessively.

Monthly Performance since Inception

Class F (USD, MT7000005617)

	Jan	Feb	Mar	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	YTD
2017	1.12%	1.30%	0.50%	0.98%	1.28%	-0.10%							**5.18%**
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
2017	0.82%	1.05%	0.40%	0.85%	1.13%	-0.23%							**4.08%**
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
2017	1.01%	1.21%	0.40%	0.94%	1.21%	-0.18%							**4.67%**
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.

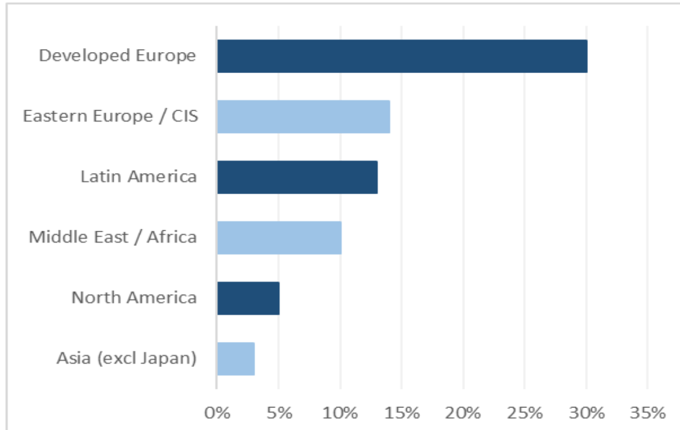
Portfolio Composition

	Rating	NAV (%)	Price	Duration	Yield	Spread
SphereInvest Global Credit Strategies	BB-	100 %	101.4	3.1	5.5 %	438
Cash and Equivalents	AA+	25 %				

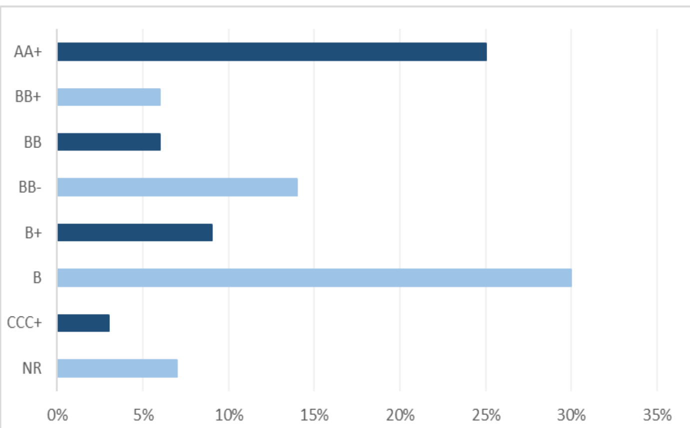
Top 10 Holdings (in % of NAV, 28/06/17)

7.374% Atento Luxco 1 SA, 2020	3%
9.125% HTA Group Ltd, 2022	3%
7.25% Aldesa Financial Services SA, 2021	3%
7.25% Altice Luxembourg SA, 2022	3%
7.875% United Group BV, 2020	3%
4.204% Phosagro, 2018	3%
8.625% Banglalink Digital Comm, 2019	3%
8.75% DNO ASA, 2020	3%
7.375% Autopistas del Sol SA, 2030	3%
10% Wind Hellas, 2021	3%

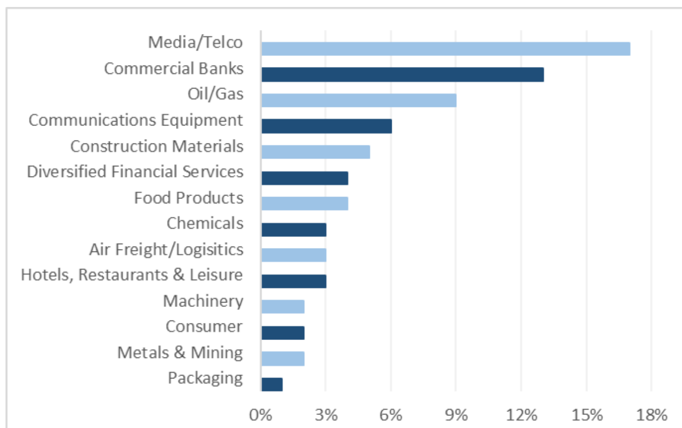
Regional Allocation (excl. cash & equiv)



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 (Ireland) Ltd.
Minimum Investment	Retail = 25,000 (GBP, EUR, USD, CAD, CHF) Institutional = 200,000 (GBP, EUR, USD, CAD, CHF)		