SphereInvest | GROUP

MORNINGSTAR ★★★★★

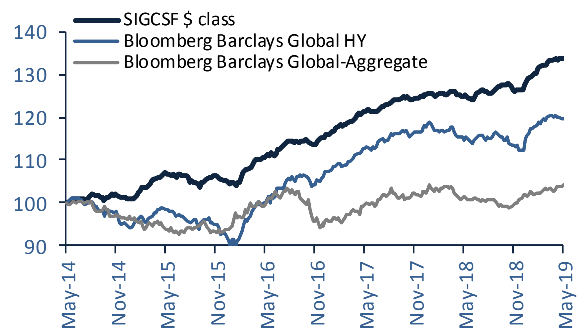
GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

Class F (USD): MTD return: 0.22% 2019 return: 5.81% NAV per Share: 160.17
Class D (EUR): MTD return: 0.02% 2019 return: 4.51% NAV per Share: 145.62
Class E (GBP): MTD return: 0.03% 2019 return: 4.91% NAV per Share: 119.44

	2019	1 year	5 years		Since Inception	
	Return	Return *	Return *	Sharpe	Return *	Sharpe
SIGCSF Class F (US$)	**5.8%**	**7.1%**	**6.0%**	**2.1**	**7.0%**	**2.7**
Bloomberg Barclays Global HY	6.4%	4.3%	3.6%	0.5	5.9%	1.1
ICE EM High Yield	6.7%	7.0%	5.1%	0.8	6.5%	1.2
ICE Europe High Yield	5.5%	2.9%	3.7%	0.7	6.6%	1.6
ICE US High Yield	7.9%	5.8%	4.4%	0.7	6.0%	1.1
Bloomberg Barclays Global-Agg.	2.8%	2.6%	0.8%	-0.1	1.2%	0.1
MSCI World	9.7%	-1.3%	3.8%	0.2	7.6%	0.6
MSCI Emerging Markets	3.0%	-11.2%	-0.8%	-0.1	0.8%	0.0

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



Source: SphereInvest Group; Bank of America Merrill Lynch

Portfolio and Market Commentary

Trump's sudden threat to impose escalating "emergency" tariffs on Mexico in early June, although quickly followed by de-escalation, reinforces what has become the defining feature of this late cycle, in our view: permanent policy-making uncertainty. Coming on a backdrop of listless global growth, uncertainty is likely to suppress risk taking appetite and increasingly colour the perception of incoming economic data. The prevalent narrative is focused on weaker spots – in particular, the manufacturing sector showing increasing strains from global trade tensions – more than on signs of domestic resiliency, supported by low inflation and strong job markets across DM. Near-term uncertainty and the growing consensus the cycle is finally nearing an end in the US are crowding investors into safe-havens - with treasuries, in particular, experiencing spectacular moves during May. The curve has now inverted out to 20 years, with 30-years less than 10 basis points over target rates, while the widely watched 3-month to 10-year curve is now firmly negative. Investors are now pricing in multiple cuts by the end of 2020, at the very least confirming the Fed erred by tightening 4 times in 2018 and indicating the need for substantial loosening to cushion against a recession next year.

After a strong first four months of the year, risk assets were more volatile during May, although probably less so than the rally in rates and the inversion of the curve would command – suggesting rates reflect a need to unwind some of last year's tightening, more than expectations of a near-term recession. While the treasury market may have already overshot – some of the recent bid for duration clearly reflected the short-lived drama around Mexican tariffs – we believe the Fed is unlikely to resist market pressure and will validate, at least partly, what is currently priced in the curve. Neither drifting inflation expectations, nor recent signs the job market is cooling – the 2 pillars of the Fed's mandate – justify upsetting financial markets in a repeat of 2018. If we are right, rate traders (with the help of Trump's aggressive trade policy) will have effectively manoeuvred the Fed into loosening at a time when the US economy hasn't actually weakened substantially yet, and asset valuations are still hovering at historically elevated levels - raising the probability risk assets resume their ascent near-term, at least until the Fed does delivers its first cut (July being the likeliest date, according to market pricing).

EM assets have remained remarkably resilient through the most recent episode of turbulence, despite limited fundamental support. So far this year, EM has provided a long list of lousy growth – or outright recession - in major countries, with very few bright spots (often in already well-managed and stable countries, rather than improving). A strong dollar, weaker commodities, and uncertain growth outlook in China, all considered primary drivers of EM performance, have also recently been unfavourable. This leaves two key factors to explain EM resiliency. The first is positioning: the mini-EM crisis around this time last year helped significantly reset expectations towards the asset class, leaving less room for disappointment. Brazil illustrates the dynamic. Foreign investors never fully bought into the enthusiasm which followed Jair Bolsonaro's election: relentless external outflows after his election imply foreign investors probably missed the bulk of Brazilian assets rally last year. Ironically, light positioning is now supporting Brazilian assets despite growing realisation the new president may be as inept as feared (hopes Congress is taking the reform baton from the president may be helping as well). The second supportive factor for EM, to no surprise, is expectations of looser Fed policy: lower rates will continue favouring carry trades, especially if more converging monetary policy in major countries (US/EU/China/Japan) means the Dollar has now peaked.

Overall, 2019 has so far been one of fundamental disappointment and policy uncertainty. Safe-havens have often felt like "the only game in town" – in so far as the only asset class with true momentum. The strong performance of most risk assets has owed more to an arbitrary starting point (the local trough happened in mid-December 2018) than to specific favourable developments – although resilient first quarter earnings and the dovish pivot by the Fed did help, while the misleadingly strong Q1 growth in the US may have merely encouraged the US administration to be more aggressive than otherwise in pursuing its global trade agenda. The near-term outlook for risk assets appears unusually dependent on one man and his twitter feed. The Mexican tariffs episode was jarring because it seemed to undermine the assumption investors' interests were still more or less aligned with those of a president focused on his re-election. Escalating tariffs on Mexico would have been economic self-harm in the pursuit of other goals. The fact Trump appears to have quickly relented is bolstering again the perception of a "Trump put" - the belief Trump will at least tone-down his least business-friendly instincts whenever US equity markets fall enough.

In anticipation of the Fed loosening and if the US and Chinese presidents can at least provide a path to de-escalate their trade conflict, we believe risk assets could perform well in the near-term. Over a longer time horizon, risk assets are unlikely to regain true momentum as long as investors haven't regained some confidence the US economy isn't staring at a recession as early as 2020. The response of safe havens and risk assets to the next cut by the Fed - once investors aren't trading the rumour, but the actual fact - could be a pivotal moment to gauge if the Fed has retained its credibility among investors.

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%								**5.81%**
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%								**4.51%**
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%								**4.91%**
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.

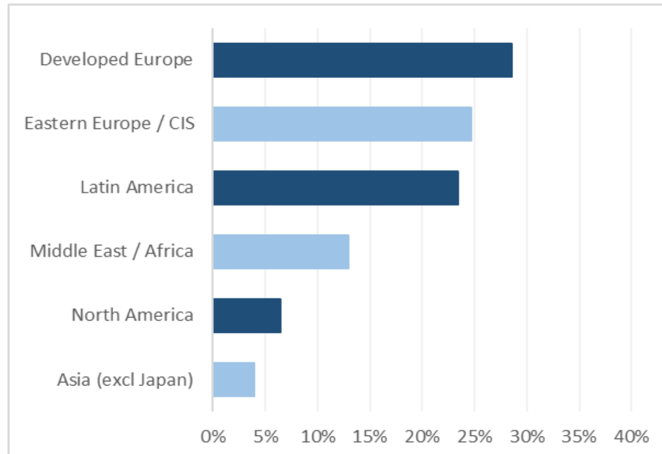
Fund Information as of May, 2019

	Rating	NAV (%)	Price	Duration	Yield	Spread
SphereInvest Global Credit Strategies	BB-	100 %	98.2	2.8	7.0 %	547
Cash and Equivalents	AA+	23 %				

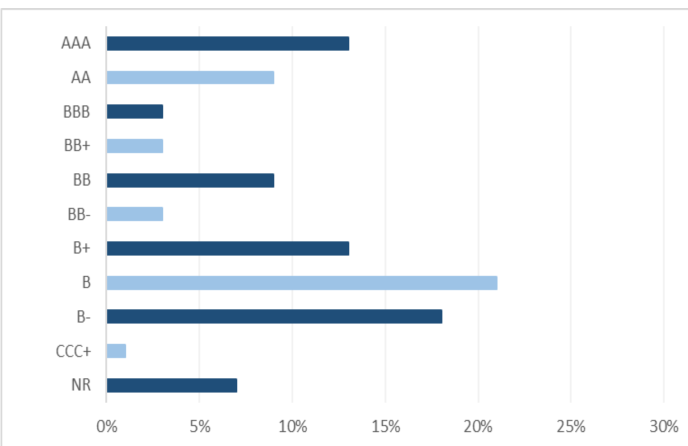
Top 10 Holdings (in % of NAV, 30/05/19)

Bond	%
9.50% IHS Netherlands, 2021	3.8%
9.875% Global Ship Lease, 2022	3.0%
8.75% DNO ASA, 2020	2.9%
7.625% Banco Mercantil del Norte, PERP	2.8%
4.75% JSW Steel, 2019	2.7%
11.00% Silknet JSC, 2024	2.7%
8.75% Eurotorg, 2022	2.5%
10.00% Crystal Almond, 2021	2.5%
7.00% CSN, PERP	2.5%
6.75% KME AG, 2023	2.5%

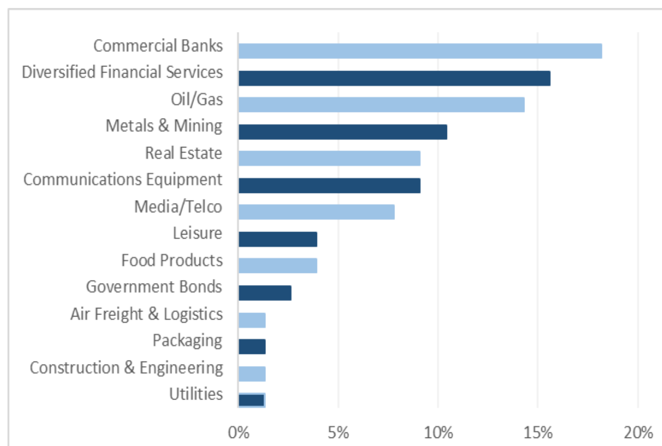
Regional Allocation (excl. cash & equiv)



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)		