SphereInvest | GROUP

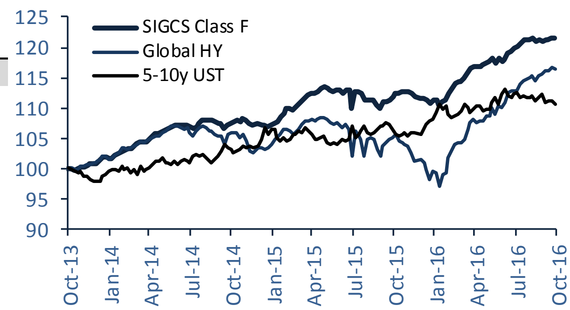
MORNINGSTAR ★★★★★

GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

Class F (USD): MTD return: 0.36% 2016 return: 8.87% NAV per Share: 137.14
Class D (EUR): MTD return: 0.15% 2016 return: 7.22% NAV per Share: 133.07
Class E (GBP): MTD return: 0.29% 2016 return: 8.16% NAV per Share: 107.07

	2016	1-year		3 years		Since Inception	
	Return	Return *	Sharpe	Return *	Sharpe	Return *	Sharpe
SIGCSF Class F (US$)	**8.9%**	**8.6%**	**2.81**	**6.7%**	**2.51**	**7.5%**	**2.87**
BOFA Global High Yield	14.9%	10.8%	1.54	5.2%	0.97	7.2%	1.48
BOFA EM High Yield	17.2%	14.4%	2.39	6.0%	0.86	7.4%	1.16
BOFA Europe High Yield	8.3%	6.9%	1.33	5.7%	0.82	9.1%	1.50
BOFA US High Yield	16.3%	10.7%	1.30	4.7%	0.78	6.5%	1.21
BOFA US Treasury 5-10yrs	4.6%	4.0%	0.75	3.4%	0.75	1.9%	0.39
MSCI World	7.5%	-0.9%	-0.10	2.2%	0.15	7.4%	0.58
MSCI Emerging Markets	22.5%	4.8%	0.20	-3.6%	-0.23	-0.9%	-0.07



* Annualized Weekly Returns and Sharpe Ratios; Fund Inception: 30/07/12

Source: SphereInvest Group; Bank of America Merrill Lynch

Portfolio and Market Commentary

Global high yield credit returns have been resilient. Broadly improving economic data, with manufacturing PMIs rising across the US, Euro area, and, more strikingly, to a 27-month high in China, helped offset sharply higher government bond yields and rising anxiety about the US presidential race. Reflecting improved investor confidence about growth in advanced economies, higher-beta credit segments outperformed: in US and Europe, performance was led by "single Bs" and lower rated credits (which returned in excess of 2% in both markets), while better rated credits underperformed, given narrower spreads available to absorb higher risk-free-rates. Overall, European and US HY markets returned 0.9% and 0.8%, respectively. EM HY underperformed slightly during the month, returning 0.4%, with significant dispersion again between Russia (which underperformed as a result of tight valuations, returning -0.5%) and Brazil (+1.7%, thanks to rising optimism about the reformist agenda of President Temer and the turnaround of Petrobras, the indebted national oil company).

The steady performance of credit markets during October masked important shifts, fully on display in government bond markets' sharp sell-off. Recent improvement in global growth is fundamentally supportive for growth-sensitive assets, including speculative credit. On average this semester, economic data has exceeded expectations by the widest margin since 2013 (as measured by Citigroup Economic Surprise Index). This has prompted consensus G20 growth forecasts to recently pick-up to around 2.9% (according to Bloomberg), still a modest improvement from 2.5% expected for 2016, but a significant contrast after 4 years when hopes of acceleration were consistently frustrated. After bottoming in the immediate aftermath of the EU referendum, inflation expectations are also improving: in the US, where the tighter job market appears to be finally translating into modest wage growth; but also in China, where factory-gate prices rose for the first time since 2012, and in Europe, if only thanks to favourable base effects as the commodity-led disinflationary impulse fades.

Where does this leave high yield credit markets?
Certainly, a couple of months of improving data won't be enough to lead to an unwind of all trades predicated on the "secular stagnation" thesis popularized by Larry Summers; and inflation in advanced economies (AE) will likely continue to be dampened by still wide output gaps (most notably in Europe), muted inflation expectations and demographics. While some central banks are moving towards a "neutral stance" (BoE) or further towards normalization (the Fed), the ECB remains more likely to extend QE in December, keeping rates ultra-low for a considerable period of time after it has stopped asset purchases. In contrast with government bond markets, valuations in HY credit do not appear overly stretched: using 20 years of Bank of America's data, global HY spreads ended October in their second historical quartile, still some 250bps above their tightest reached before the GFC of 2008. A common measure of spread fair valuation, measuring default rates implied by market spreads, also indicates valuations continue to provide significant excess compensation against historical default experience in all credit quality buckets except "CCC"-rated credits (according to JP Morgan calculations). While this is as expected (spreads should include a premium for risks other than default, such as liquidity and volatility), this does not support the thesis high yield markets are in a bubble. Of course, the absence of a bubble is a rather low bar to clear to judge the attractiveness of an asset class and does not guarantee against a near-term correction; however, structural demand for yield and the historical strong performance of speculative credit at times of rising risk-free-rates continue to underpin our constructive medium-term outlook for our asset class.

Our views on the upcoming US Presidential elections:
Since Hillary Clinton is widely perceived as a continuity candidate, while Donald Trump campaigned on a rupture platform, uncertainty-averse investors will probably regard the election of the former as neutral, while the later will result in higher market risk premiums. Beyond initial knee-jerk reaction, however, markets would depend on the policies adopted by the new Trump administration, and their perceived impact on economic conditions in the US and globally. The Brexit precedent provides interesting insights in this regard, including the various constraints faced by the current British government as it tries to deliver on its Brexit mandate. We suspect Mr. Trump would likely face implementation difficulties, possibly ushering a similar period of policy uncertainty, as the new administration tries to reconcile campaign promises with economic, political, and institutional constraints. The second insight, in our view, was the resiliency of consumption and investment behaviours in the UK, despite considerable uncertainty introduced by the future renegotiation of all its trade agreements. While this outcome remains surprising for many, including us, we believe it will likely inform investors' view about how the US economy could cope until there is more clarity about Mr. Trump's more contentious economic policies, notably with regard to the US' global trade integration. Finally, a third insight relates to investors' misperception of what Brexit meant for global rates: markets (and the BoE) overemphasized the debilitating impact of uncertainty on growth and investment, but initially failed to acknowledge anti-globalization policies would eventually lead to higher inflation: through tighter job markets (thanks to restrictive migration policies) and protectionist policies (such as Mr. Trump's intention of imposing punitive trade tariffs and favouring domestic industries without relative advantage). Beyond the initial safe-haven bid, we therefore believe the hope a Trump election would in itself prevent the Fed from hiking in December and lead to a rates rally similar to the one experienced post Brexit, is likely to prove misplaced.

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%			**8.87%**

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%			**7.22%**

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%			**8.16%**

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 %	101.0	2.8	3.8 %	308
Largest 5 Positions	BB	15 %	101.5	4.7	6.5 %	535
Regions						
Cash and Equivalents	AA+	44 %				
Central & Latin America	BB-	15 %	100.5	6.5	7.6 %	628
Eastern Europe / CIS	BB-	13 %	101.6	2.4	5.7 %	484
Developed Europe	B	12 %	102.7	4.4	6.7 %	619
Asia ex-Japan	BB-	7 %	105.7	6.5	6.0 %	474
Africa	BBB	7 %	101.3	5.1	4.8 %	361
North America	B-	2 %	89.5	3.2	11.7 %	1073
Corporates/Financials						
Corps	BB-	42 %	102.1	4.8	6.8 %	588
Financials	BB+	14 %	100.3	5.0	5.7 %	454
Cash and Equivalents	AA+	44 %				
Sectors						
Commercial Banks	BB+	15 %	100.3	5.0	5.7 %	454
Cash and Equivalents	AA+	44 %				
Telecommunications	BB-	8 %	98.7	4.1	7.4 %	632
Food Products	BB-	7 %	102.0	7.5	7.3 %	591
Oil, Gas & Consumable Fuels	BB-	5 %	103.8	7.1	7.2 %	628
Real Estate Management & Development	B+	4 %	102.1	5.0	6.8 %	570
Media	B	3 %	104.3	3.5	6.2 %	586
Air Freight & Logistics	BB-	3 %	105.2	2.5	7.8 %	695
Chemicals	BB+	3 %	102.0	1.2	2.6 %	166
Diversified Financial Services	BB-	3 %	100.5	5.3	7.2 %	593
Hotels, Restaurants & Leisure	B	2 %	102.8	3.8	7.8 %	783
Education	B	1 %	105.4	3.9	6.4 %	558
IT Services	CCC+	1 %	106.4	2.5	7.4 %	759
Containers & Packaging	CCC	1 %	98.1	5.4	7.0 %	681

Ratings						
AA+	AA+	42 %				
BB-	BB-	14 %	100.6	5.4	7.2 %	607
BB+	BB+	9 %	102.8	4.8	3.9 %	260
B	B	9 %	102.1	3.2	7.6 %	715
B+	B+	7 %	104.5	3.7	6.0 %	530
BBB	BBB	6 %	101.4	4.6	4.4 %	328
BB	BB	5 %	101.6	8.4	8.0 %	650
B-	B-	5 %	95.3	4.6	8.6 %	788
BBB-	BBB-	1 %	100.9	7.2	6.4 %	493
CCC+	CCC+	1 %	106.4	2.5	7.4 %	759
CCC	CCC	1 %	98.1	5.4	7.0 %	681
Currencies						
USD	BBB+	83 %	100.8	2.7	3.4 %	263
EUR	B	12 %	102.2	3.5	5.2 %	514
GBP	B+	5 %	101.8	3.7	6.7 %	585

Fund Terms

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