SphereInvest | GROUP

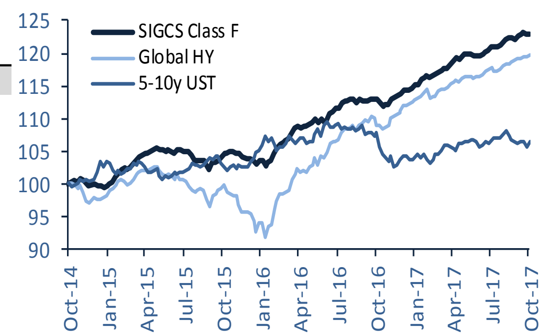
MORNINGSTAR ★★★★★

GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

Class F (USD): MTD return: 0.63% 2017 return: 8.06% NAV per Share: 149.13
Class D (EUR): MTD return: 0.42% 2017 return: 6.22% NAV per Share: 141.64
Class E (GBP): MTD return: 0.57% 2017 return: 7.12% NAV per Share: 115.10

	2017	1-year		3 years		Since Inception	
	Return	Return *	Sharpe	Return *	Sharpe	Return *	Sharpe
SIGCSF Class F (US$)	**8.1%**	**8.7%**	**4.90**	**7.1%**	**2.60**	**7.7%**	**3.06**
BOFA Global High Yield	7.8%	8.7%	3.04	6.1%	1.11	7.4%	1.61
BOFA EM High Yield	9.1%	9.2%	3.25	7.2%	1.05	7.7%	1.29
BOFA Europe High Yield	7.5%	8.4%	4.16	6.3%	0.88	8.9%	1.59
BOFA US High Yield	7.5%	8.6%	2.45	5.6%	0.89	6.8%	1.34
BOFA US Treasury 5-10yrs	2.5%	-0.9%	-0.45	2.1%	0.34	1.4%	0.23
MSCI World	16.7%	20.6%	3.04	6.1%	0.48	9.7%	0.81
MSCI Emerging Markets	30.7%	24.5%	2.06	4.3%	0.22	3.4%	0.19



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

Source: SphereInvest Group; Bank of America Merrill Lynch

Portfolio and Market Commentary

October broadly confirmed the strength of the global economy. Robust data across most regions combined with still subdued inflation (in spite of a noted acceleration of wage growth in the US) to help credit markets produce solid returns, led by a melt-up in Euro HY markets after the ECB failed to set an end-date to its asset purchase programme. Amid apparently buoyant investor mood, a few developments, such as the rapid depreciation of EMFX, appear to have foreshadowed an abrupt reversal of investor sentiment towards HY credit during the first week of November.

Recent years haven't been kind to sceptics who tried to call an early end to the credit bull market: all scares have so far proved false alarms, whether the 2013 "taper tantrum" or 2015's fears of an oil-led spike in default rates. To the contrary, bullish investors have been largely vindicated by the cyclical upswing since Q1 2016, and the continued lack of inflationary pressures. The "good news" is both of those supporting factors remain in place. The cyclical upswing has acquired a momentum of its own, which, in our base case, is only likely to gradually weaken sometimes in 2018 or 2019. Barring a geopolitical shock (which recent developments in Saudi Arabia could still bring, in our view), near-term risks to our base case remain to the upside – for instance if tax reforms (or tax cuts) encourage markets to price in a structural improvement in growth potential (or, maybe more likely, a late-cycle "boom" brought by fiscal stimulus) in the US. In the Eurozone, slack remains ample, allowing monetary policy to remain ultra-loose. Finally, while the 2018 outlook in EM is more mixed, EM countries should at least benefit from stronger exports to DM.

Given a still broadly favorable backdrop, the recent weakening of sentiment is more likely to prove another "buy-on-dip" opportunity than a real inflection point, in our view. We do see reasons to be cautious, however. With valuations stretched and little momentum left in the market, investors are forced to face the difficult questions which had been so far masked by bullish sentiment.

Among those key questions:

- Can low (or falling) core rates still support credit? Unless the Fed dramatically changes course (which, in itself, would send a very negative signal for risk assets) or genuinely growth-enhancing tax reforms come to pass in the US, we believe rallies in rates are likely to cause the curve to flatten further (or indeed invert, if the Fed moves too fast) and spreads to widen. This has been the case since late October, as global high yield spreads rose some 30bps, while the treasury curve flattened to its lowest since 2007. To the contrary, rate sell-offs are likely to pressure all-in corporate yields upwards, given current compressed spreads. On balance, we expect HY credit to perform better if rates rise and the curve steepens. However, one key take-away of October, in our view, is the dynamic of falling core rates and tightening spreads appears to be largely exhausted.
- If macro remains strong, what about micro? Since the GFC, credit investors have been reconditioned to welcome the lack of inflation because it allows central banks to keep borrowing rates low. The coin has its flip side, however: low inflation can be a symptom of low pricing power and cut-throat competition, notably in consumer sectors. While the structural challenges of brick-and-mortar retailers are in part specific, concerns appear to be spreading to other key sectors. It is no coincidence HY telecoms, a sector often highly leveraged and struggling with deflationary pressures, was a key underperformer in this market sell-off. Healthcare inflation, while still running ahead of the general CPI, has also been trending lower. Most notably, the generic space, which includes large public debt issuers, is struggling with widespread pricing pressures. We finally note the recent decorrelation of inflation expectations with the surge of oil and strengthening wages – although early days, we would likely consider a confirmation of that trend as a key negative for the HY market, again due to the implications it would carry for pricing power and squeezed margins.
- Finally, is investor positioning still supportive? How underinvested or extended investors truly are only ever gets clear after the fact. This bull market often seemed to occur despite (or, more accurately, thanks to) widespread investor scepticism. Investors long failed to fully embrace the rally, providing continued feedstock to the market. That was until the election of Donald Trump one year ago brought “animal spirits” back to life, however. Recent anecdotal evidence suggests positioning is gradually becoming heavier. According to Bank of America’s most recent survey, for instance, cash held by global fund managers dropped to its lowest level for two years in September. If some investor scepticism remains, we believe it is mostly about stretched valuations rather than about the economic outlook. This, of course, will not bring the same dynamic to the market: while investors too pessimistic about economic conditions have been gradually forced to “buy the market”, investors uncomfortable about valuations are likely to sit it out or take their profits if data or earnings disappoint.

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%	0.66%	0.94%	0.48%	0.63%			**8.06%**
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%	0.50%	0.78%	0.34%	0.42%			**6.22%**
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%	0.56%	0.85%	0.33%	0.57%			**7.12%**
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.

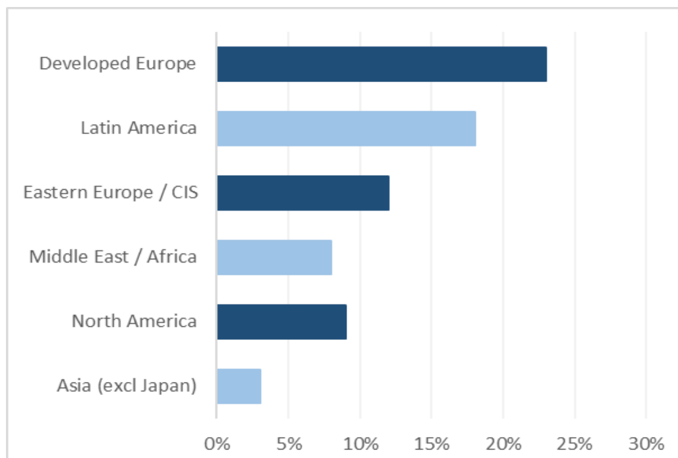
Portfolio Composition

	Rating	NAV (%)	Price	Duration	Yield	Spread
SphereInvest Global Credit Strategies	BB-	100 %	102.8	3.3	5.0 %	374
Cash and Equivalents	AA+	27 %				

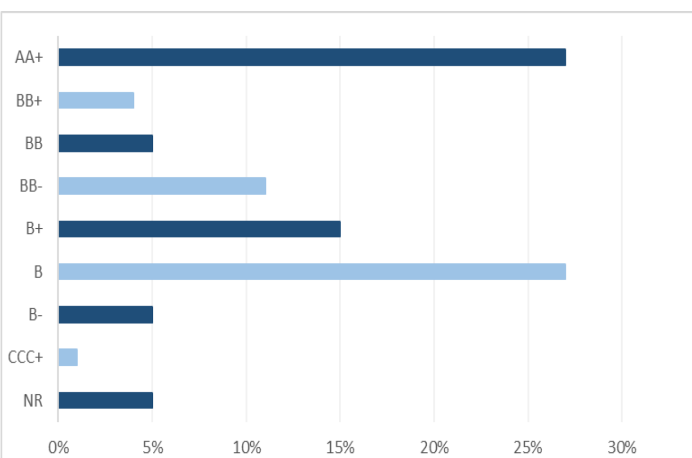
Top 10 Holdings (in % of NAV, 02/11/17)

5% IRSA Propiedades, 2020	3%
9.125% HTA Group Ltd, 2022	3%
7.25% Altice Luxembourg SA, 2022	3%
10.5% Fidelity Bank PLC, 2022	3%
4.204% Phosagro, 2018	3%
8.75% DNO ASA, 2020	3%
9% Banco Do Brasil, 2049	3%
9.25% Tinkoff Bank, 2077	3%
7.375% Autopistas del Sol SA, 2030	3%
8.625% Banglalink Digital Comm, 2019	3%

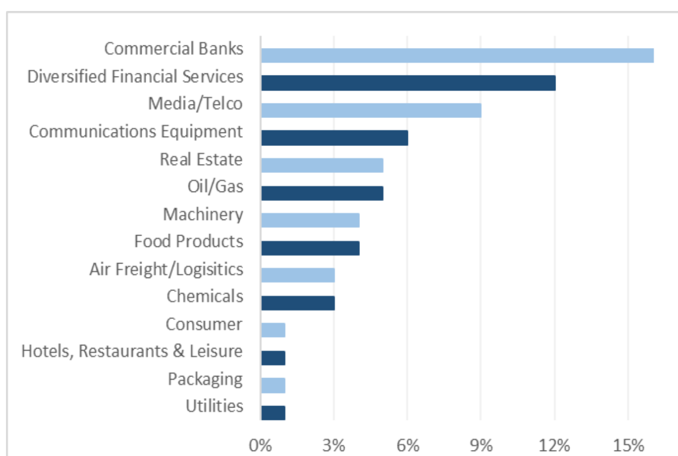
Regional Allocation (excl. cash & equiv)



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)		