

# SphereInvest | GROUP

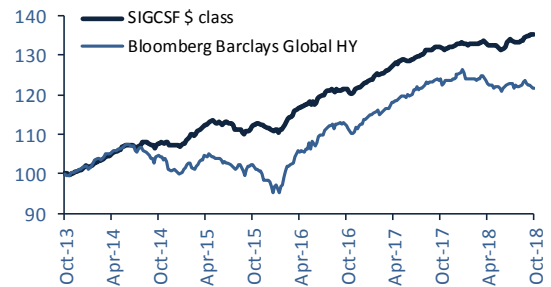


## GLOBAL CREDIT STRATEGIES FUND

### Monthly Performance

Class F (USD): MTD return: 0.46% 2018 return: 2.01% NAV per Share: 152.51  
 Class D (EUR): MTD return: 0.19% 2018 return: -0.28% NAV per Share: 141.15  
 Class E (GBP): MTD return: 0.34% 2018 return: 0.54% NAV per Share: 115.78

|                                | 2018         | 1-year      |             | 3 years     |             | Since Inception |             |
|--------------------------------|--------------|-------------|-------------|-------------|-------------|-----------------|-------------|
|                                | Return       | Return      | * Sharpe    | Return      | * Sharpe    | Return          | * Sharpe    |
| <b>SIGCSF Class F (US\$)</b>   | <b>2.01%</b> | <b>2.3%</b> | <b>0.07</b> | <b>6.4%</b> | <b>2.38</b> | <b>6.8%</b>     | <b>2.67</b> |
| Bloomberg Barclays Global HY   | -2.3%        | -1.8%       | -1.21       | 5.9%        | 0.97        | 5.7%            | 1.12        |
| ICE EM High Yield              | -2.5%        | -2.8%       | -1.71       | 6.6%        | 1.29        | 5.9%            | 1.05        |
| ICE Europe High Yield          | -1.2%        | -1.8%       | -1.59       | 4.1%        | 0.83        | 6.8%            | 1.72        |
| ICE US High Yield              | 0.9%         | 0.9%        | -0.48       | 6.5%        | 1.04        | 5.9%            | 1.15        |
| Bloomberg Barclays Global-Agg. | -3.2%        | -1.9%       | -1.14       | 1.7%        | 0.09        | 0.5%            | -0.04       |
| MSCI World                     | -3.0%        | -0.1%       | -0.20       | 5.9%        | 0.41        | 8.1%            | 0.64        |
| MSCI Emerging Markets          | -18.1%       | -13.8%      | -0.95       | 3.9%        | 0.15        | 0.5%            | -0.01       |



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

Source: SphereInvest Group; Bank of America Merrill Lynch

### Portfolio and Market Commentary

Global markets had a difficult month during October. Despite renewed volatility, we do not believe last month marked a real change of regime, however. Risk assets aren't struggling from deteriorating fundamentals as much as from moribund animal spirits in the face of a loss of global economic momentum and unresolved tensions – from the trade war between China and the US, to the economic relationship between the UK and the EU. There is no doubt positive outcomes in either would go a long-way in helping markets finish the year on a stronger note. Tensions between the US and China did take a toll on investor sentiment during 2018, and, increasingly, have been impacting real activity as well: third quarter earnings saw a number of cyclicals downgrade their outlooks on weakening Chinese demand or on lower margins due to higher raw materials (a result of tariffs, but also higher energy prices).

We do struggle to fully reconcile the loss of economic momentum with trade tensions, however – while it does serve the US administration agenda to believe their tactics are responsible for the year-to-date crash in Chinese equity markets, it stretches credulity. Unfortunately, it seems more likely to us 2018 was the year of return to the “new normal”, after the short-lived euphoria of 2017.

The election of Donald Trump in 2016 brought the tantalising possibility the US could help drag the global economy out of its slow-growth rut. That hope, however, may have lasted all but one year. Developed Europe, whatever the underlying reasons – some temporary, others likely structural - is back to anaemic rates of growth. China is still struggling with the aftermath of its 2008-2012 stimulus programs. Growth in most of EM is lagging several points below pre-GFC averages. We appear to be back to the status-quo ante, as investors refocus on the existing contradictions of the post GFC period – from excessive leverage across both DM and EM, to social tensions increasingly finding outlets in “populist” or “nationalistic” economic policies. Of course, the key difference, compared with the period leading to Donald Trump's election, is the business cycle is even more mature now: the Fed has delivered 175bps of tightening since November 2016, the ECB is drawing closer to the exit, and investor investment horizon is correspondingly even shorter.

Of course, markets never need strong economic growth to perform strongly – and, if there is one silver lining to depressed investor sentiment, it is expectations are lower now than at the start of 2018. There will be episodes in the near-term when positive developments, even marginal, force valuations upwards – essentially, whenever benchmarked capital is caught underweight. Beyond those usual market dynamics, we believe sustainable positive momentum hinges on too many pieces falling into place. The Fed and the ECB will need to deliver just the right amount of tightening, hopefully without being forced into reverse. China’s stabilization appears likely to require a more effective and sustainable stimulus in 2019, whatever the outcome of its negotiations with the US. Finally, populist/nationalist agendas remain one of the greatest tail risks for markets, in our view – from Italy, Mexico, to the UK and the US, we believe governments are treading a precariously narrow path trying to placate their supporters without wrecking too much economic damage.

While this market environment remains about preserving capital, we are encouraged by the positive performance of the Fund year-to-date. In our view, 2018 showed corporate credit markets remain largely inefficient, driven by benchmarked mandates too large to adjust quickly enough whenever markets lack sustained momentum, and favour more nimble investors, such as the Fund. After similar out-performance during the 2013 “Taper Tantrum” and the 2015 commodity downturn, the Fund’s unconstrained strategy has allowed us to navigate well the market correction this year again, thanks to our focus on liquidity, low duration, and selective high impact total return opportunities.

## Monthly Performance since Inception

### Class F (USD, MT7000005617)

|             | Jan    | Feb    | Mar    | April | May    | Jun    | July   | Aug    | Sep    | Oct   | Nov    | Dec    | YTD          |
|-------------|--------|--------|--------|-------|--------|--------|--------|--------|--------|-------|--------|--------|--------------|
| <b>2018</b> | 0.49%  | -0.09% | -0.08% | 0.39% | -0.71% | -0.75% | 1.98%  | -0.54% | 0.87%  | 0.46% |        |        | <b>2.01%</b> |
| <b>2017</b> | 1.12%  | 1.30%  | 0.50%  | 0.98% | 1.28%  | -0.10% | 0.66%  | 0.94%  | 0.48%  | 0.63% | -0.19% | 0.44%  | <b>8.33%</b> |
| <b>2016</b> | -0.34% | 0.03%  | 2.86%  | 2.12% | 0.55%  | 0.03%  | 1.96%  | 1.18%  | -0.14% | 0.36% | -0.72% | 1.36%  | <b>9.56%</b> |
| <b>2015</b> | -0.22% | 1.80%  | 1.38%  | 1.66% | 0.93%  | -0.54% | -0.19% | -1.19% | -1.27% | 1.82% | 0.73%  | -0.99% | <b>3.91%</b> |
| <b>2014</b> | 0.84%  | 1.08%  | 0.84%  | 1.10% | 1.20%  | 1.04%  | -0.20% | 0.91%  | -0.51% | 0.14% | 0.66%  | -0.71% | <b>6.56%</b> |
| <b>2013</b> | 0.97%  | 0.11%  | 0.54%  | 1.64% | -0.04% | -2.16% | 1.11%  | -0.06% | 1.70%  | 1.66% | 0.14%  | 0.67%  | <b>6.40%</b> |
| <b>2012</b> |        |        |        |       |        |        | 0.15%  | 0.72%  | 0.78%  | 2.11% | 1.24%  | 1.72%  | <b>6.90%</b> |

### Class D (Euro, MT7000005591)

|             | Jan    | Feb    | Mar    | April | May    | Jun    | July   | Aug    | Sep    | Oct   | Nov    | Dec    | YTD           |
|-------------|--------|--------|--------|-------|--------|--------|--------|--------|--------|-------|--------|--------|---------------|
| <b>2018</b> | 0.32%  | -0.36% | -0.32% | 0.19% | -1.04% | -0.99% | 1.75%  | -0.66% | 0.68%  | 0.19% |        |        | <b>-0.28%</b> |
| <b>2017</b> | 0.82%  | 1.05%  | 0.40%  | 0.85% | 1.13%  | -0.23% | 0.50%  | 0.78%  | 0.34%  | 0.42% | -0.29% | 0.22%  | <b>6.15%</b>  |
| <b>2016</b> | -0.42% | -0.01% | 2.57%  | 1.92% | 0.39%  | -0.08% | 1.81%  | 0.98%  | -0.25% | 0.15% | -1.01% | 1.23%  | <b>7.44%</b>  |
| <b>2015</b> | -0.29% | 1.82%  | 1.33%  | 1.55% | 0.97%  | -0.63% | -0.20% | -1.27% | -1.46% | 1.77% | 0.91%  | -1.13% | <b>3.35%</b>  |
| <b>2014</b> | 0.85%  | 1.06%  | 0.77%  | 1.09% | 1.25%  | 1.01%  | -0.21% | 0.92%  | -0.62% | 0.12% | 0.59%  | -0.79% | <b>6.18%</b>  |
| <b>2013</b> | 0.87%  | 0.12%  | 0.54%  | 1.54% | -0.06% | -2.21% | 1.16%  | -0.07% | 1.67%  | 1.66% | 0.13%  | 0.65%  | <b>6.11%</b>  |
| <b>2012</b> |        |        |        |       |        |        | 0.20%  | 0.66%  | 0.70%  | 2.04% | 1.20%  | 1.62%  | <b>6.59%</b>  |

### Class E (GBP, MT7000005609)

|             | Jan    | Feb    | Mar    | April | May    | Jun    | July   | Aug    | Sep    | Oct   | Nov    | Dec    | YTD           |
|-------------|--------|--------|--------|-------|--------|--------|--------|--------|--------|-------|--------|--------|---------------|
| <b>2018</b> | 0.39%  | -0.24% | -0.23% | 0.30% | -0.84% | -1.09% | 1.80%  | -0.74% | 0.89%  | 0.34% |        |        | <b>0.54%</b>  |
| <b>2017</b> | 1.01%  | 1.21%  | 0.40%  | 0.94% | 1.21%  | -0.18% | 0.56%  | 0.85%  | 0.33%  | 0.57% | -0.24% | 0.29%  | <b>7.17%</b>  |
| <b>2016</b> | -0.39% | -0.08% | 2.79%  | 2.07% | 0.48%  | 0.03%  | 1.95%  | 1.01%  | -0.22% | 0.29% | -0.94% | 1.30%  | <b>8.55%</b>  |
| <b>2015</b> |        |        |        |       | 0.69%  | -0.51% | -0.17% | -1.21% | -1.29% | 1.86% | 0.68%  | -1.02% | <b>-1.01%</b> |

Past Performance is no guarantee of future results.  
Performance figures are net of all fees.

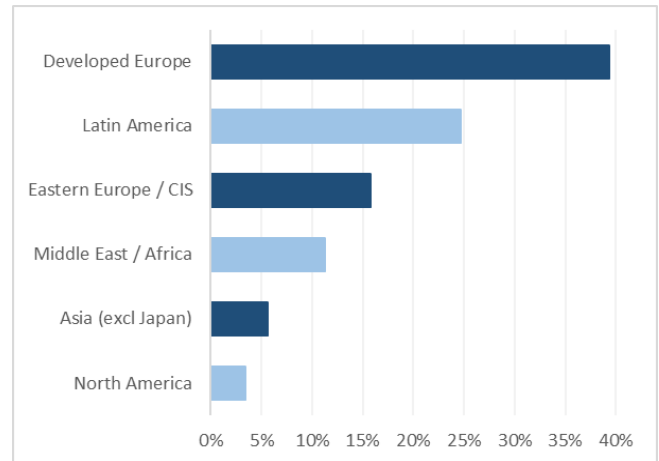
### Fund Information as of October, 2018

|                                       | Rating | NAV (%) | Price | Duration | Yield | Spread |
|---------------------------------------|--------|---------|-------|----------|-------|--------|
| SphereInvest Global Credit Strategies | BB-    | 100 %   | 97.9  | 2.2      | 7.4 % | 543    |
| Cash and Equivalents                  | AA+    | 11 %    |       |          |       |        |

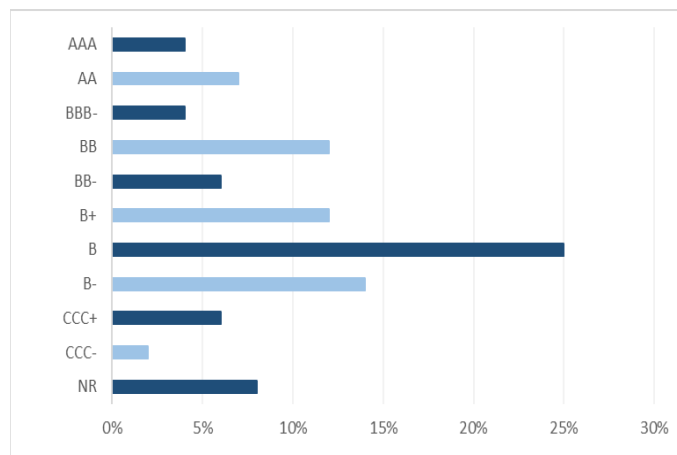
#### Top 10 Holdings (in % of NAV, 01/11/18)

| Bond                                   | %    |
|--|------|
| 9.25% Tinkoff Credi, 2077              | 3.8% |
| 8.625% Banglalink Digital Comm, 2019   | 3.5% |
| 9.125% HTA Group Limited, 2022         | 3.4% |
| 8.125% Global Liman Isletmeleri, 2021  | 3.4% |
| 8.75% DNO ASA, 2020                    | 3.3% |
| 6.75% Telfon Celuar del Paraguay, 2022 | 3.2% |
| 9.25% Seplat Petroleum Dev Co, 2023    | 3.2% |
| 8.75% Eurotorg, 2022                   | 3.2% |
| 8.25% Verallia, 2022                   | 3.0% |
| 6.75% Hercule Debtco SARM, 2024        | 2.9% |

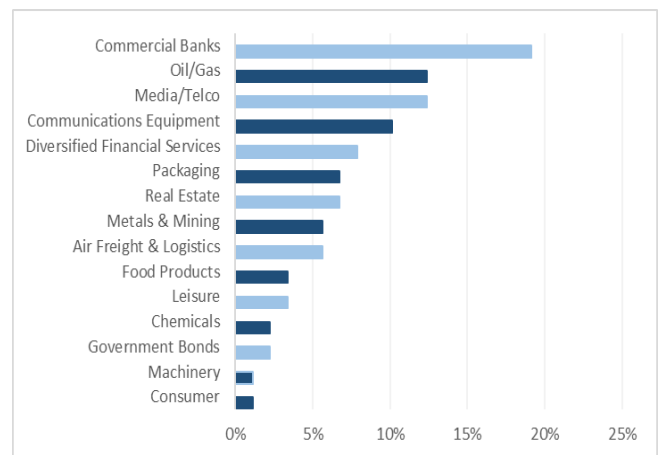
#### Regional Allocation (excl. cash & equiv)



#### Credit Quality



#### Sector Allocation (excl. cash & equiv)



### Fund Terms

|                           |  |                      |  |
|---------------------------|--|----------------------|--|
| <b>Regulatory</b>         | UCITS V  | <b>Domicile</b>      | Malta  |
| <b>Liquidity</b>          | Weekly   | <b>Custodian</b>     | RBC International  |
| <b>Start Date</b>         | 2 <sup>nd</sup> July 2012  | <b>Auditor</b>       | Deloitte & Touche  |
| <b>Management Fee</b>     | 1.5% (Retail) 1% (Institutional)   | <b>Legal Counsel</b> | Ganado & Associates  |
| <b>Performance Fee</b>    | 5% Incentive Fee   | <b>Administrator</b> | Equinox Alternative Investment Services (Part of the Apex Group) |
| <b>Minimum Investment</b> | Retail = 25,000 (GBP, EUR, USD, CAD, CHF)<br>Institutional = 200,000 (GBP, EUR, USD, CAD, CHF) |                      |  |

#### Disclaimer:

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