SphereInvest | GROUP

MORNINGSTAR ★★★★★

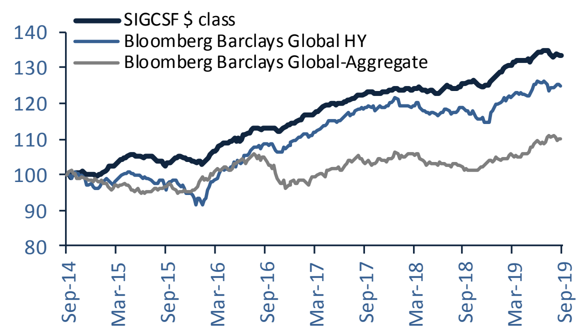
GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

Class F (USD): MTD return: 0.12% 2019 return: 6.53% NAV per Share: 161.28
Class D (EUR): MTD return: -0.12% 2019 return: 4.22% NAV per Share: 145.21
Class E (GBP): MTD return: 0.00% 2019 return: 5.21% NAV per Share: 119.78

	2019	1 year	5 years		Since Inception	
	Return	Return *	Return *	Sharpe	Return *	Sharpe
SIGCSF Class F (US$)	**6.5%**	**6.2%**	**5.9%**	**1.9**	**6.7%**	**2.5**
Bloomberg Barclays Global HY	8.8%	4.9%	4.5%	0.7	5.9%	1.1
ICE EM High Yield	8.9%	8.8%	5.6%	0.9	6.4%	1.1
ICE Europe High Yield	9.1%	5.0%	4.4%	0.9	6.8%	1.7
ICE US High Yield	11.6%	6.5%	5.3%	0.8	6.2%	1.2
Bloomberg Barclays Global-Agg.	6.5%	7.6%	1.9%	0.2	1.6%	0.2
MSCI World	15.9%	-0.2%	5.5%	0.3	8.0%	0.6
MSCI Emerging Markets	4.5%	-4.0%	0.3%	-0.1	1.0%	0.0

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



Source: SphereInvest Group; Bank of America Merrill Lynch

Portfolio and Market Commentary

Markets remained challenging in September; the global economy remains in reasonable shape and we are positioned accordingly. While most of our positions are defensive and performed well through recent volatility, a few positions proved very vulnerable to deteriorating investor sentiment – an anxiety verging on panic about anything cyclical, we do not share.

To say the global economy is in reasonable shape isn't a bold statement: any non-casual observer of global macro, corporate earnings and financial markets would largely agree. Global growth has cooled this year - manufacturing is hurting, and some surveys have reached striking levels, especially in Germany. Brexit, ongoing trade tensions and a general sense of policy uncertainty may infect the services sector, hurt job markets and undermine the last pillar of the expansion, consumer spending. The narrative is well-rehearsed and recent US jobs data shows it is at risk of becoming true. But the focus on the timing of the next recession, in our view, is obscuring a more important question: can uncertainty translate into anything other than a shallow business recession? The past two recessions were traumatic for investors, because they were financial in origin, triggered by bubbles in equity and credit markets. Before, recessions in DM mostly followed external shocks or central bank tightening. Without claiming to be financial historians, the concept of a recession triggered by corporate retrenchment - rather than excess – appears novel. Beyond the impact on sentiment – which does matter - the difference between such a recession and the anaemic growth already seen across much of DM, is largely about semantics, in our view.

If such a recession arrives, we believe the space for a policy response is actually significant. Central bank impotency remains a lingering source of investor anxiety. But this slowdown is, in part at least, "man-made". The political pressure to provide policy relief is bound to grow much stronger if economic pain deepens. Yes, the tensions between the US and China run deeper than the whims of a mercurial president; and yes, the pushback against Chinese economic aggression is bi-partisan. But there is one key reason trade tensions have been allowed to escalate - the US economy has proved much more resilient than the rest of the world. Should the US economy actually weaken, the end-game remains the same: the US president will reach a truce with China, before he - or his Democrat opponent – re-engages in 2021.

For Europe, the policy response to its malaise on everyone's mind is, to no surprise, fiscal stimulus in Germany. The Germans, however, are committed to a balanced budget unless their country enters recession – effectively enshrining in law "it must get worse before it gets better". Vexing as this might be, investors should keep the bigger prize in mind: the country at the centre of the manufacturing recession also happens to be the one with the most significant room for fiscal stimulus.

None of this is to deny a recession, even shallow, would have a fundamental impact on credit markets. Manufacturing is effectively already in recession, and recent earnings duly suffered. But its direct impact pales in comparison with deteriorated investor sentiment. Tighter financing conditions could eventually translate into refinancing difficulties and higher default rates. Some of the recent investor panic about cyclicals reflects this self-fulfilling dynamic. While a partial shutdown of credit markets is always a risk, we believe the fear is overdone. The next recession is unlikely to trigger widespread deleveraging at a time when central banks are actually loosening. Investor caution is rationale, but we find it difficult to envisage investors would still crowd into safe assets if the recession proves shallow and triggers a policy response. Some credits are structurally challenged. Oil services is still digging itself from under a mountain of overcapacity built when oil was above $90/bbl. In the same way, some sectors may be over-invested in "China 6% growth forever" and be unable to cope with sub-6%. Those considerations are valid, but very different from cyclical challenges.

Our position in KME, a producer of copper products, underperformed severely during September, with yields jumping from around 8% in August to almost 15% at the end of September (in early October, KME reported stable earnings, allowing bonds to partly recover). Copper has widespread industrial uses and is therefore often used as a key gauge of the cycle. It was, in hindsight, unsurprising investors busy going through the motions of "positioning for a recession", would dump their holdings. Such near-term tactics are important, and it remains our plan to continue focusing on recession- (and sentiment-) proof bonds. But we believe it is no longer time to throw-in the towel on "good cyclicals" like KME, and we are increasingly dedicating resources to selecting similar oversold credits.

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%	1.08%	0.93%	-1.43%	0.12%				**6.53%**
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%	0.94%	0.63%	-1.70%	-0.12%				**4.22%**
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%	1.01%	0.89%	-1.60%	0.00%				**5.21%**
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.

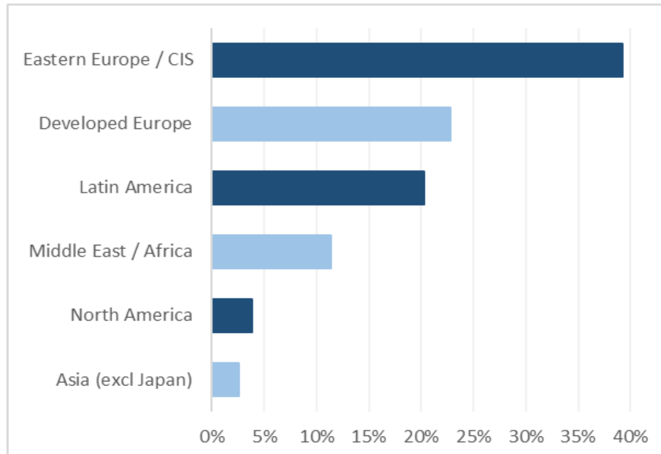
Fund Information as of September, 2019

	Rating	NAV (%)	Price	Duration	Yield	Spread
SphereInvest Global Credit Strategies	BB-	100 %	99.5	2.9	6.7 %	569
Cash and Equivalents	AA+	21 %				

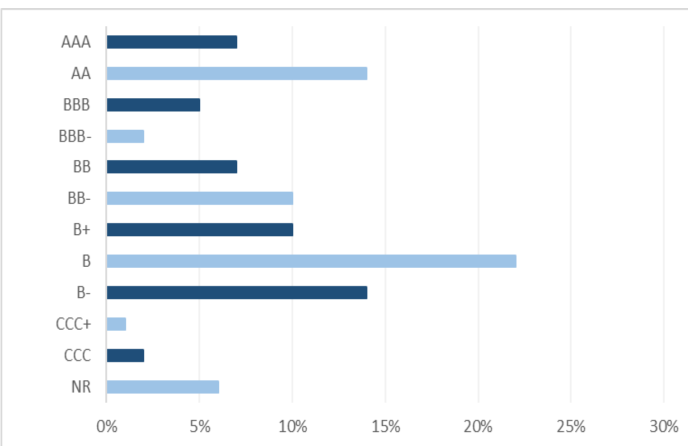
Top 10 Holdings (in % of NAV, 26/09/19)

Bond		%
8.00%	IHS Netherlands, 2027	3.7%
9.875%	Global Ship Lease, 2022	3.3%
8.75%	Eurotorg, 2022	3.1%
9.125%	Helios Towers, 2022	3.1%
8.75%	DNO ASA, 2020	3.0%
11.00%	Silknet, 2024	2.8%
6.748%	MV24 Capital, 2034	2.7%
6.75%	KME AG, 2023	2.6%
5.00%	Anacap, 2024	2.6%
6.125%	Lukoil, 2020	2.6%

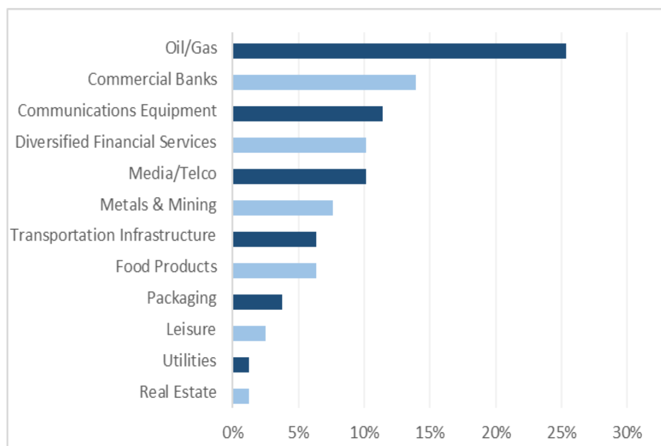
Regional Allocation (excl. cash & equiv)



Credit Quality



Sector Allocation (excl. cash & equiv)



Fund Terms

Regulatory	UCITS V	Domicile	Malta
Liquidity	Daily Pricing / Weekly dealing	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)		