SphereInvest | GROUP

September 2015

GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

	MTD Return (Net)	YTD Return (Net)	NAV per Share
Class F (USD)	-1.27%	2.33%	124.04
Class D (EUR)	-1.46%	1.78%	122.23
Class E (GBP)	-1.29%	-2.48%	97.52

Performance Since Inception

Annualized Return: 6.81%
Annualized Volatility: 2.4%
Sharpe Ratio: 2.8

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 Investment Services (Ireland) Ltd.
Custodian	RBC International
Auditor	Deloitte & Touche
Legal Counsel	Ganado & Associates

Portfolio Commentary

September was another difficult month for credit markets, with US HY and Euro HY down 2.6% and 2.2%, respectively - erasing their return for the year - while in EM, HY fell 3.25%, to bring return for the year to 1%, from as high as 8.9% mid-May. Markets suffered from continuing concerns about global growth and what felt at times like an unrelenting stream of bad news: from the downgrades of Brazil to "junk" by Standard and Poor's and of Sprint (the US telecom company and bellwether HY issuer) to Caa1 by Moody's; a pollution scandal at Volkswagen; to the collapse of Glencore's stock. With the benefit of a week having passed since the end of the month, and with risk assets having recovered strongly from their recent lows, September's sell-off appears to have been partly technical. In particular, the downgrade below common mandate thresholds of large issuers such as Brazil or Sprint seemed to trigger large-scale forced selling. With macro data mixed but on balance weaker, investors (and the Fed) may have fret about the contagion from "Wall Street" to "Main Street" as market volatility lead to tightening credit and a slowdown of investment. Finally, while the Fed was largely expected to remain on hold on September 17th, its focus on international developments rather than on low inflation fed investor concerns about China and the strong Dollar and seemed to trigger a confidence shock. Three weeks later, however, markets rallied when weaker-than-expected non-farm-payrolls appeared to vindicate the Fed's decision to stay put, while dovish FOMC minutes helped to push back investor expectations for the first hike to 2016.

For all the concerns about China, EM, and commodities, the difference of market reaction between the Fed's decision on 17/09 and the FOMC minutes on 08/10 shows that investors continue to grapple with essentially one single theme, and near term asset performance remains largely dictated by positioning: the pendulum continues to swing between the "divergence trade" (which sees the US as the only large economy healthy enough to raise rates), and the "resynchronisation trade" (once it becomes clear the strong Dollar is negatively impacting the US, and – even though this remains more hope than reality so far - should benefit its trade partners). Although retracement has already been significant, we believe the "resynchronisation trade" is likely to have further room to go on signs the third quarter was lacklustre in the US and with a hike in October all but ruled out by recent employment data. At the same time, a sustained asset price recovery would likely raise the probability of a hike in December and with it the attractiveness of the "divergence trade" again. Unless expectations about an EM recovery or stronger growth in Developed Europe pick up, markets (and the Fed) appear likely to remain stuck in this pattern, in our view.

Drawing some lessons for HY credit markets specifically:

• Reflecting a growing unease about the maturity of the cycle, we see tolerance for leverage declining. The fall in the securities of Petrobras, Sprint, or even Glencore, while each having specific drivers, also reflects the fear after years of easy credit, many large capital structures may prove unsustainable. Less dramatically, we also sense concern recent HY vintages were able to leverage up thanks to good operating momentum but may have little room for manoeuvre if growth fails to strengthen from here.

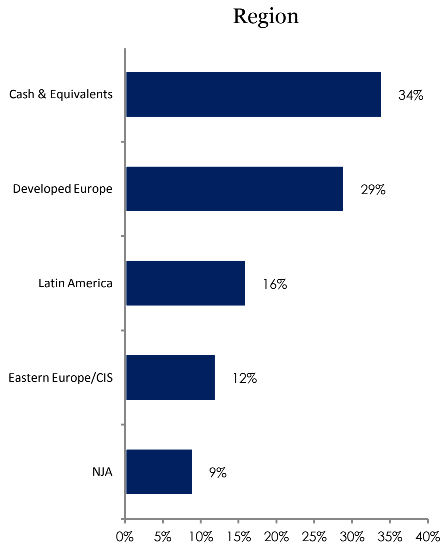
• While macro developments continue to monopolize investor attention, bottom-up credit selection actually proved a more important determinant of market performance in 2015 than in previous years, in our view. The year-to-date underperformance of US HY, lacklustre performance of Euro HY, and outperformance of EM HY are somewhat unexpected given the relative strength of the US economy, ECB QE tailwinds, and constant talks of an "EM crisis". Starting valuations is only one explaining factor. Issuer and sector specific developments have also played an increasing part, defeating the benefits of regional allocation – challenges faced by leveraged energy, telecom or healthcare companies, as well as M&A risk, have been major determinants of the performance of HY credit in DM, while low-leveraged EM exporting companies have emerged as relative winners.

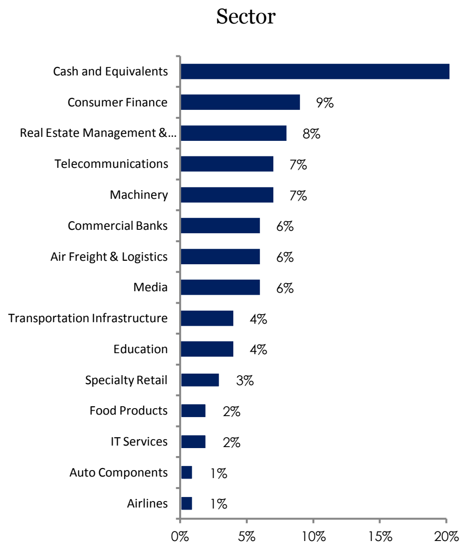
• Finally, with markets trapped in the risk-on/risk-off pattern described above, continuing volatility appears to be the only near-term certainty, making carry less appealing than we envisaged before the summer. At the same time, spreads (even adjusted for the distressed energy sector) are already consistent with a recessionary outlook across markets. While recent data points to some contagion from EM to DM, subpar growth remains more likely than outright recession, especially given the readiness of US and European central banks to adjust monetary policy to downside risks. This is leaving the HY market more attractively valued than it has been for the past 3 years, in our view.

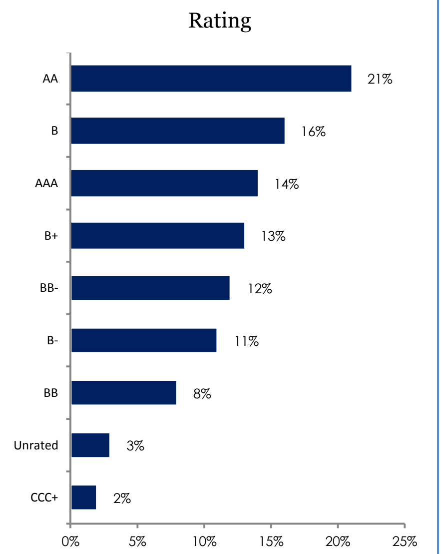
Portfolio Composition

Portfolio Yield: 5.8%
Portfolio Duration: 3.2

Average Rating: BB-
Number of Holdings: 27







Monthly Performance Since Inception

Class F (USD)

	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%				**2.33%**

Class D (EUR)

	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%	-0.20%	-1.27%	-1.46%				**1.78%**

Class E (GBP)

	Jan	Feb	Mar	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	YTD
2015					0.69%	-0.51%	-0.17%	-1.21%	-1.29%				**-2.48%**

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