SphereInvest | GROUP

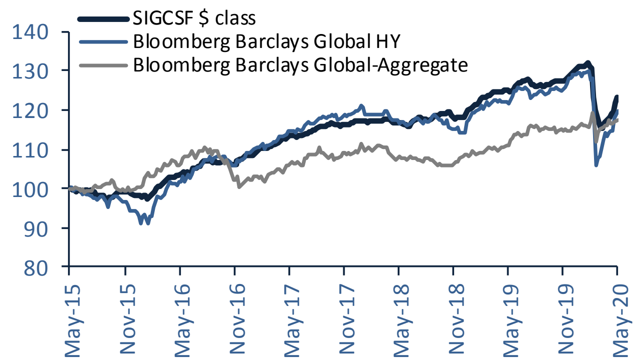
GLOBAL CREDIT STRATEGIES FUND

Monthly Performance

Class F (USD): MTD return: 4.24% 2020 return: -4.82% NAV per Share: 157.91
Class D (EUR): MTD return: 4.12% 2020 return: -5.87% NAV per Share: 139.62
Class E (GBP): MTD return: 4.23% 2020 return: -5.52% NAV per Share: 116.00

	1 year	5 years		Since Inception	
	Return	Return *	Sharpe	Return *	Sharpe
SIGCSF Class F (US$)	**-1.4%**	**4.2%**	**0.7**	**5.9%**	**1.4**
Bloomberg Barclays Global HY	-1.5%	3.6%	0.3	4.9%	0.6
ICE EM High Yield	1.0%	4.9%	0.5	5.7%	0.7
ICE Europe High Yield	-1.8%	2.4%	0.2	5.5%	0.8
ICE US High Yield	0.0%	4.0%	0.4	5.2%	0.7
Bloomberg Barclays Global-Agg.	5.8%	3.2%	0.4	1.7%	0.2
MSCI World	4.0%	3.6%	0.1	7.1%	0.4
MSCI Emerging Markets	-7.0%	-1.7%	-0.2	-0.2%	-0.1

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



Source: SphereInvest Group; Bank of America Merrill Lynch

Portfolio and Market Commentary

The sharp rally across most risk asset classes since late-March has occurred in two distinct phases.

First, expansive monetary and fiscal support helped investors price out systemic financial risk. This benefited high-quality duration, before the search for yield expanded to lower-quality assets, such as HY credit. Widespread commentary around markets' "disconnect" from economic reality may not adequately reflect the nature of this rally: it wasn't led by expectations of recovering cash flows, but by compressing risk premiums. Markets aren't just voting tools on future fundamentals: their role is also to provide prices to balance supply and demand. While spreads peaked 2 months ago – at a time of maximum uncertainty when global activity was largely paralysed – there was actually very limited supply of corporate bonds at trough valuations. In the absence of widespread deleveraging, mark-to-market reflected only marginal selling activity and defensive positioning from large investors. But the continued difficulty to buy corporate bonds near "marks" shows clearing levels will still need to rise to balance demand and supply in the near-term.

Second, the rally appears to have become more narrative-driven. While tracking the actual progress of the pandemic remains difficult given inconsistent reporting, investors have been encouraged by several positive developments. First, the pandemic has followed a bell shape in most countries. Although it is still raging in parts of the world, notably Southern America, the experience of much of Asia or Western Europe is reassuring investors the wave will eventually, in time, recede. In addition, countries and states in the US where social distancing restrictions were eased already haven't experienced "second waves". Lastly and most important from investors' perspective: it seems unlikely the world would need to go back into full lockdown, even if a second wave strikes. In a few countries, the pandemic was successfully curtailed through timely control measures, without ever enforcing lockdowns. In many others, that same window of opportunity – around late February/early March - was wasted. With administrations and populations now much more alert, investors are betting the same mistakes won't be repeated. Much like broader populations – at least in countries where the pandemic is now under control - financial markets consider the pandemic as background noise: a chronic rather than acute condition, unlikely to drive everyday life.

In HY credit, unprecedented monetary and fiscal support has dramatically shifted the fundamental narrative. Ruptured payment chains were threatening to cause systemic defaults and make the asset class un-investable for mainstream bond investors. Significant pools of distressed capital were reported to be raised to facilitate widespread restructurings. While the pandemic is still likely to have ushered in a distressed cycle, investors have continued regarding each recent high-profile default as credit-specific and been unwilling to give way to specialized capital ahead of anticipated restructurings. The underlying assumption is the crisis is liquidity-driven (companies need capital to replace revenues temporarily lost), rather than solvency-driven (cash flows could fail to grow back once activity normalizes). As a result, many first-lien bonds expected to be restructured are still trading around 50c to 80c –signalling not only historically high recoveries, but also a break from the usual cycle when bonds tend to overshoot recoveries on the downside, before the upside is captured by new unconstrained investors. Much of global policymakers' ongoing efforts have been to engineer such a benign credit cycle: they are so far succeeding beyond hopes.

The competing impacts of depressed private demand due to higher unemployment, recent forced saving, and significantly higher public spending, are hard to forecast. On balance, we believe most of the more pessimistic assumptions "this crisis changed everything" will prove wide of the mark. At the moment, there is simply no way to properly quantify the structural changes, if any, the pandemic will bring to supply and demand patterns, pricing power and margins.

We were intrigued by anecdotal reports of fully booked summer flights, crowded casino floors, and even advanced cruise bookings. People are likely to still travel, socialize in public places and look for entertainment away from Netflix. Beyond the human tragedy, the key surprise of this crisis may eventually be how little it actually changed - apart from a legacy of debt which may yet be an albatross around the recovery's neck.

First quarter earnings in the portfolio were generally positive, and management outlooks more benign than expected. We were particularly pleased by the resiliency of our financials positions, with capitalization levels and earning powers sufficient to absorb higher delinquencies. Our position in KME, the manufacturer of copper products, bounced strongly during the first week of June, after the company reported good earnings. A few positions have so far lagged the broad market rally and should recover in the coming months. Among our most significant, Quiport, the Ecuadorian airport, is still quoted at spreads far in excess of default probability, in our analysis. The Fund broadly benefited during May from the recovery of the commodity complex and the weaker dollar, which proved strongly supportive for our EM positions. Having succeeded in quickly rebalancing the market (oil inventories could start drawing down as soon as Q3), Opec+ countries now appear intent on fine-tuning supply to avoid incentivizing the return of high-cost producers. This leaves us wary oil prices won't rise enough to make most high-yield E&Ps we follow sustainable on a full-cycle basis over the medium-term. We are still exploring the possibility of rotating some of our direct oil exposures – which we had selected because of their resiliency to rock-bottom oil prices – into credits more leveraged to oil prices in a $40-50/bbl range.

Monthly Performance since Inception

Class F (USD, MT7000005617)

	Jan	Feb	Mar	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	YTD
2020	1.09%	0.05%	-12.07%	2.67%	4.24%								**-4.82%**
2019	2.34%	1.46%	0.60%	1.06%	0.22%	1.08%	0.93%	-1.43%	0.12%	1.01%	0.14%	1.69%	**9.59%**
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
2020	0.89%	-0.10%	-12.52%	2.54%	4.12%								**-5.87%**
2019	2.14%	1.22%	0.30%	0.77%	0.02%	0.94%	0.63%	-1.70%	-0.12%	0.73%	-0.05%	1.45%	**6.45%**
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
2020	1.00%	-0.04%	-12.48%	2.59%	4.23%								**-5.52%**
2019	2.26%	1.33%	0.39%	0.82%	0.03%	1.01%	0.89%	-1.60%	0.00%	0.86%	0.09%	1.54%	**7.84%**
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.

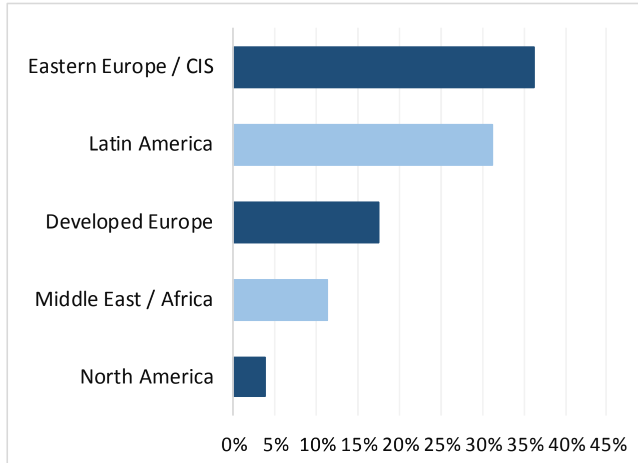
Fund Information as of May, 2020

	Avg Rating	NAV (%)	Price	Duration	Yield	Spread
SphereInvest Global Credit Strategies	BB-	100 %	92.5	1.9	10.1%	1069
Cash and Equivalents	AA+	20 %				

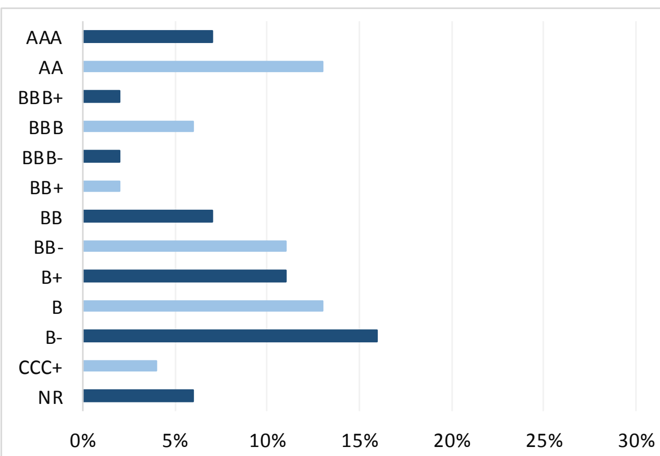
Top 10 Holdings (in % of NAV, 28/05/20)

Bond		%
6.748%	MV24 Capital, 2034	4.2%
8.875%	Telecom Services of Trinidad & Tobago, 2029	4.2%
9.125%	Helios Towers, 2022	4.1%
6.125%	Lukoil, 2020	3.5%
9.875%	Global Ship Lease, 2022	3.4%
11.00%	Silknet, 2024	3.2%
12.00%	Trans-Oil, 2024	3.2%
8.75%	DNO ASA, 2020	3.0%
7.50%	Genel Energy, 2022	3.0%
7.125%	Naftogaz, 2024	3.0%

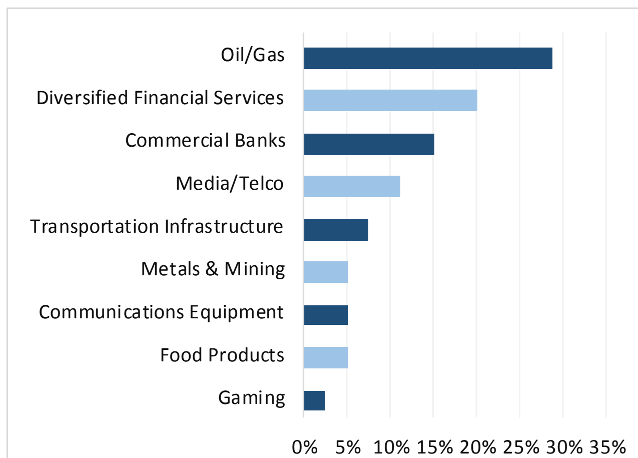
Regional Allocation (excl. cash & equiv)



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)		