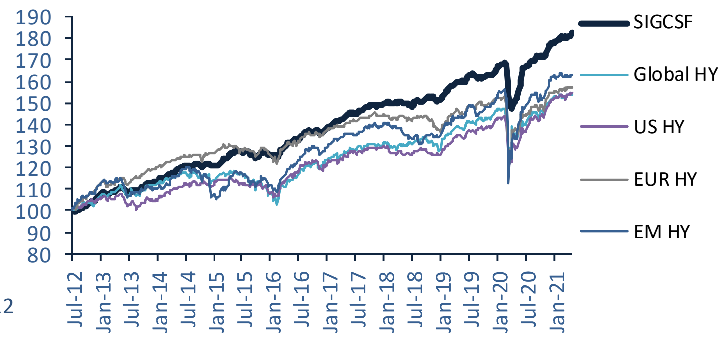
SphereInvest | GROUP

# GLOBAL CREDIT STRATEGIES FUND

## Monthly Performance

Class F (USD): MTD return: 0.96% 2021 return: 2.40% NAV per Share: 182.30
Class D (EUR): MTD return: 0.89% 2021 return: 2.12% NAV per Share: 159.87
Class E (GBP): MTD return: 0.95% 2021 return: 2.31% NAV per Share: 133.58

| | YtD | 3 Years | | Since Inception | |
|---|---|---|---|---|---|
| | Return | Return * | Sharpe | Return * | Sharpe |
| **SIGCSF Class F (US$)** | **2.4%** | **6.5%** | **1.0** | **7.0%** | **1.8** |
| Global HY (etf: HYG US) | 0.9% | 5.7% | 0.4 | 5.0% | 0.5 |
| US HY (etf: SPHY US) | 1.7% | 6.8% | 0.6 | 5.0% | 0.6 |
| EUR HY (etf: SYBJ GY) | 1.5% | 3.0% | 0.1 | 5.2% | 0.5 |
| EM HY (etf: HYEM US) | 0.0% | 5.7% | 0.3 | 5.6% | 0.5 |
| Bloomberg Barc Global Agg | -3.1% | 3.8% | 0.5 | 2.0% | 0.3 |




* Annualized Weekly Returns and Sharpe Ratios; Fund Inception: July 2012
Source: SphereInvest Group; Bloomberg

## Portfolio and Market Commentary

Credit markets have found some support in the recent stabilization of treasury rates, which prefigured a sharp slowdown in the pace of US hiring during April. Although rates may have proved more prescient than analysts – who overestimated new jobs by more than 700,000 – range-bound rates, also reflected other factors.

First, we believe the threat of an overheating economy has so far remained a story line only: eventually, to keep driving markets, it needs to find some vindication in hard data. April's non-farm-payrolls, while difficult to fully explain, at least prove there remains considerable slack in the US economy. Various shocks triggered by the pandemic – from supply chain disruptions to a possible explosion of pent-up consumer demand – combined with enormous fiscal and monetary stimulus, may eventually trigger runaway inflation, not just yet. Second, we believe the sell-off in rates triggered some tactical buying and hedging, at a time when risk assets valuations appear fairly stretched. We sympathise with the contrarian view, investors, running scared from duration and thereby embracing credit risk instead, are not particularly well compensated. Should inflation angst prove unfounded, locking-in 30-year yields around 2.3% may well prove more attractive than buying CCC risk at the lowest yield ever around 5.8% (according to the Bloomberg Barclays Caa US High Yield Index).

April's job report was disappointing, as it came after recent data in DM of exceptional strength. When measured by Citi's economic surprise index for G10 economies, data has outperformed market expectations by a historically wide margin for 12 months in a row – a remarkable achievement, given the index's mean-reversion tendency. To be sure, one disappointment in isolation is unlikely to be a market watershed. But April's non-farm-payrolls may still mark the point when investors' focus shifts from "grand reopening" hopes to a more nuanced view of what may come next. With vaccination campaigns apparently successful in the US, the UK and finally picking pace in

Europe, investors may need to pay more attention to multiple risks, which could yet postpone or derail the recovery. We are concerned about multiplicative indications of bottlenecks, from chip shortages, exploding lumber or metal prices, to slower job creation, possibly indicating labour shortages. Investors seem to have, so far, dismissed supply-chain disruptions and capacity issues as a side-effect of strong economic growth. They may yet be right at the macro level, but potential for disappointment at sector or company levels may become increasingly severe.

With reopening narratives more vulnerable and valuations often demanding, we continue to focus on finding attractive, idiosyncratic credit stories. We are increasing the Fund's exposure to those companies on the right side of supply-chain disruptions, as we believe adding capacity will take time, allowing select companies to generate sometimes exceptionally high cash flows in the short run. We mentioned in previous letters our investments in containership-leasing companies Seaspan and Danaos, which both are poised to generate very strong free cash flows (FCF) in 2021. While our investments have contributed meaningfully to the fund's performance year-to-date, we are now monitoring the implication of the recent surge in newbuild orders in the sector: although a normal market response to shortages, new orders may now keep investors wary of another boom-bust cycle starting from 2022, capping the upside in the sector, for now. We have increased our metals/mining exposure through our investments in Copper Mountain Mining (CMC, a copper miner) and Tacora Resources (an iron ore producer). Both CMC and Tacora are high-cost miners, with relatively high operating risks (they both operate single mines), justifying the high yields at which their bonds were recently issued (between 8.25% and 8.7%). Our thesis, however, is metals prices are unlikely to weaken in the quarters to come – and may yet prove on a multi-year upswing, thanks to rising demand from a plethora of commodity-intensive infrastructure programmes. We believe extraordinary FCF generation in the current high-price environment – CMC reported in their Q1 earnings an annualized FCF to debt ratio of almost 40% - provides those companies with an opportunity to both deleverage balance sheets and improve their risk profile (though increasing production levels), making their bonds still very attractive, despite their recent tightening.

## Monthly Performance since Inception

**Class F** (USD, ISIN: IE00BKXBBV70)

| | Jan | Feb | Mar | April | May | Jun | July | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2021** | 0.54% | 0.85% | 0.02% | 0.96% | | | | | | | | | **2.40%** |
| **2020** | 1.09% | 0.05% | -12.07% | 2.67% | 4.24% | 5.53% | 1.06% | 0.81% | 1.00% | -0.05% | 2.69% | 1.16% | **7.31%** |
| **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, ISIN: IE00BKXBBS42)

| | Jan | Feb | Mar | April | May | Jun | July | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2021** | 0.48% | 0.80% | -0.06% | 0.89% | | | | | | | | | **2.12%** |
| **2020** | 0.89% | -0.10% | -12.52% | 2.54% | 4.12% | 5.42% | 0.99% | 0.75% | 0.92% | -0.11% | 2.62% | 1.05% | **5.55%** |
| **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, ISIN: IE00BKXBBT58)

| | Jan | Feb | Mar | April | May | Jun | July | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2021** | 0.53% | 0.81% | 0.00% | 0.95% | | | | | | | | | **2.31%** |
| **2020** | 1.00% | -0.04% | -12.48% | 2.59% | 4.23% | 5.50% | 1.04% | 0.81% | 0.98% | -0.06% | 2.65% | 1.11% | **6.34%** |
| **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.

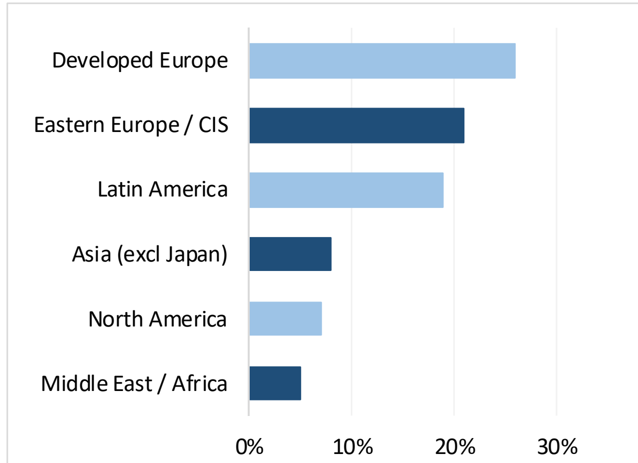
## Fund Information as of April, 2021

| | Avg Rating | NAV (%) | Price | Duration | Yield | Spread |
|---|---|---|---|---|---|---|
| SphereInvest Global Credit Strategies | BB | 100 % | 101.0 | 2.5 | 6.0% | 585 |
| Cash and Equivalents | AA | 14 % | | | | |

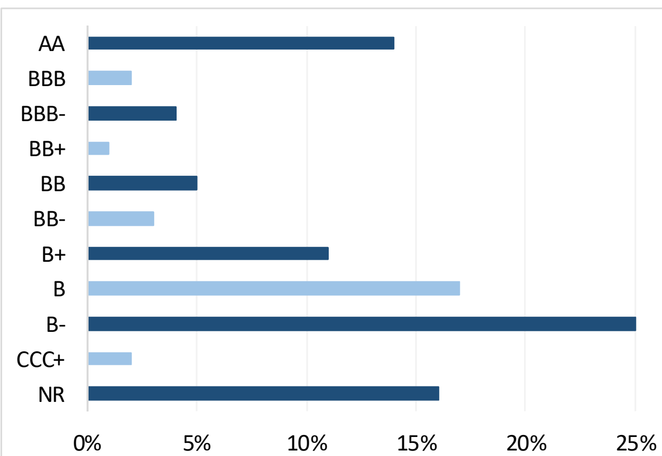
### Top 10 Holdings (in % of NAV, 29/04/21)

| Bond | | % |
|---|---|---|
| 8.875% | Credit Bank of Moscow, PERPS | 3.8% |
| 8.45% | Trans-Oil, 2026 | 3.8% |
| 8.00% | Copper Mountain Mining Corporation, 2026 | 3.6% |
| 6.748% | MV24 Capital, 2034 | 3.5% |
| 9.25% | Tinkoff Credit Systems, PERPS | 3.3% |
| 8.50% | Danaos, 2028 | 3.3% |
| 8.875% | Telecom Services of Trinidad & Tobago, 2029 | 3.2% |
| 9.25% | Genel Energy, 2025 | 3.1% |
| 5.875% | Engineering Ingegneria Informatica, 2026 | 3.0% |
| 12.00% | Quiport, 2033 | 3.0% |

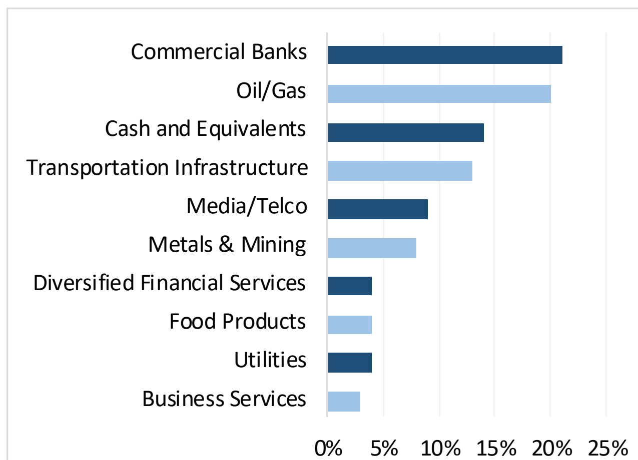
### Regional Allocation (incl. cash & equiv)




### Credit Quality




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




## Fund Terms

| | | | |
|---|---|---|---|
| Regulatory | UCITS V | Domicile | Ireland |
| Liquidity | Daily Pricing / Weekly dealing | Global Custodian | Citibank N.A., London |
| Start Date | 2nd July 2012 | Auditor | Deloitte (Ireland) LLP |
| Management Fee | 1.5% (Retail) 1% (Institutional) | Legal Counsel | Eversheds Sutherland |
| Performance Fee | 5% Incentive Fee | Administrator | Apex Fund Services (Ireland) Limited |
| Minimum Investment | Retail = 25,000 (GBP,EUR,USD,CAD,CHF,NOK)<br>Institutional = 200,000 (GBP,EUR,USD,CAD,CHF,NOK) | | |