Marketing Communication

Investor Report

28 February 2023

CQS Dynamic Credit Multi Asset Fund

Please note that prior to 27 February 2023 the Fund was called the CQS Sustainable Total Return Credit Fund.

Target Return

The Fund targets a net return of 6-8% per annum over the cycle, with 5-7% estimated volatility[1]

Key Fund Facts		
Portfolio Managers		Craig Scordellis and Darren Toner
Fund Launch Date		8 February 2021
AUM		$39.2m
Legal Structure		UCITS
SFDR		Article 8
Domicile		Ireland
Registered		Finland, France, Germany, Italy, Japan, Luxembourg, Spain, Sweden, United Kingdom
Base Currency		GBP
Share Classes		EUR, GBP, USD
Dealing Frequency Subscriptions and Redemptions		Daily by 1pm Dublin time

F Share Class Details		
Management Fee		0.35% p.a.
Expenses		Capped at 0.25% p.a.
Minimum Investment		£10m (or foreign currency equivalent)
ISIN	**GBP**	IE00BN15XR23
	EUR	IE00BN15XQ16
	USD	IE00BN15XS30
Bloomberg	**GBP**	CQTRCFG
	EUR	CQTRCFE
	USD	CQTRCFU

I Share Class Details		
Management Fee		0.80% p.a.
Expenses		Capped at 0.25% p.a.
Minimum Investment		£1m (or foreign currency equivalent)
ISIN	**GBP**	IE00BN15XV68
	EUR	IE00BN15XT47
	USD	IE00BN15XW75
Bloomberg	**GBP**	CQTRCIG
	EUR	CQTRCIE
	USD	CQTRCIU

Risk and Reward Profile						
1	2	3	4	5	6	7
Lower						Higher

Description

The CQS Dynamic Credit Multi Asset Fund ("the Fund") is a flexible multi asset credit solution, combining bottom-up fundamental research and top down asset allocation. It invests primarily across developed market corporate credit.

Key Advantages for the Investor

- Invests in high income assets to deliver high risk-adjusted returns
- Active interest rate duration management
- Volatility management: the Fund has a tactical strategy bucket designed to mitigate undesired risks
- Responsible Investment: the Fund is classified as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR). This categorisation reflects the Fund's binding commitment to responsible investing

Performance[2]

Past performance does not predict future returns. Share class launch dates vary. Please see Important Information on page 4 for details.

Share Class	1 month (%)	3 months (%)	Year-to-Date (%)	1 Year (%)	Since Inception Annualised (%)	NAV/ Share
F GBP	(0.58)	1.89	1.92	(5.84)	(1.91)	96.06
I GBP	(0.62)	1.78	1.86	(6.14)	(2.26)	95.36
F EUR	(0.73)	1.47	1.64	(7.21)	(2.99)	93.87
I EUR	(0.75)	1.35	1.57	(6.82)	(3.04)	93.78
F USD	(0.53)	2.12	2.05	(4.97)	(2.43)	95.60
I USD	(0.56)	2.02	1.99	(5.37)	(1.90)	96.09

Commentary

Market

February witnessed a reversal of the positive sentiment that characterised January. A continued sell-off in global rates drove total returns into negative territory across Investment Grade (IG), High Yield (HY) and Financials indices. IG notably underperformed HY; for example, while the Bloomberg Global Aggregate Bond Index experienced its worst February since 1990, its January was its best over the same period.

Multiple factors combined to drive the continued sell-off in rates: encouraging US jobs data that was released early in month, continued hawkish central bank rhetoric and stronger-than-expected growth and inflation data.

Despite the heightened rate volatility, spreads were remarkably resilient in HY as compression continued to play out. Lower quality CCC rated bonds outperformed higher quality BB rated securities (spreads of which continue to flag tight relative to historic levels), supported by robust earnings data released thus far, resilient consumer data and relatively strong Equity markets.

HY issuance continues to be lower relative to historic averages and is skewed towards refinancing. When considered alongside constructive mutual fund flows and coupons received, decent real money cash balances continue to provide a positive technical for spreads. Over the month, duration trades were the clear underperformer, with long-end US IG down 5% versus front-end US IG that was down 1.28% (both given on a GBP hedged basis). This led to weakness in global IG versus HY (global IG down 2.4% versus global HY down 0.98%, both given on a GBP hedged basis). AT1 finished between the two: it was weaker than HY but outperformed IG, finishing down 1.51% on a GBP hedged basis.

(continues on page 2)

Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this UCITS presents disproportionate communication on the consideration of non-financial criteria in its investment policy.

The value of securities may go down as well us up, depending on the performance of companies and general market conditions. The value at which securities in certain companies can be liquidated may differ, sometimes significantly, from the interim valuations. Investment in securities of certain companies may be less liquid, more volatile and subject to greater risks than securities of other companies. Investment in emerging markets may increase the volatility of the Fund's Net Asset Value, and accordingly, an investment in the Fund's Shares may be worth more or less on redemption than their original purchase value. As the Fund may invest in derivatives, such as swaps, it may lose more than the amount invested in such derivatives. Investors in shares denominated in a currency other than the base currency of the Fund may be affected by changes in currency movements. For full details of the relevant risks reference should be made to the risk factors sections of the Prospectus and Supplement. Information about the Fund and copies of the prospectus, the supplement, the key investor information documents, the latest audited annual report and accounts and any subsequent unaudited semi-annual report may be obtained free of charge from the administrator, BNP Paribas Fund Administrator (Ireland) Limited (the Administrator) or the investment manager, CQS (UK) LLP upon request. The Fund is authorised in Ireland and regulated by the Central Bank of Ireland.

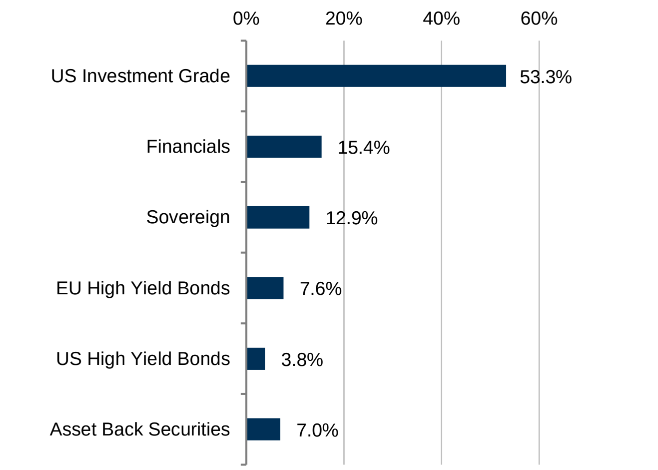
Performance

In a difficult market for credit, we believe that the Fund performed relatively well. It clawed back its underperformance relative to the broader credit market in January to finish above it year-to-date. This positive relative performance was mainly driven by our short-duration bias – which drove outperformance of our IG allocation and strength in our core conviction portfolios. The US HY portfolio's outperformance was driven by idiosyncratic single-name strength. In European HY, the portfolio's outperformance came from pockets of subordinated risk while in the Financials portfolio, outperformance was generated by strength in lower quality Tier 2. The Efficient Portfolio Management (EPM) strategy was also a positive contributor as we took profits on our US HY Credit Default Swap Index (CDX) short.

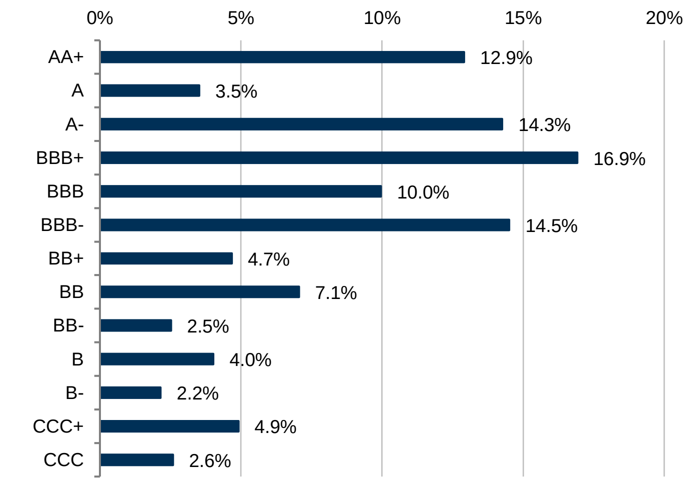
The Fund continues to prioritise income through 2-5 year US IG bonds and remains underweight duration relative to broader credit markets. Given the sell-off in rates in February we reduced our underweight duration position by adding US 10-year futures. This brought the Fund's duration to c. 4-years from c. 2-years. We also took off our US HY CDX short in the EPM strategy. Within the conviction books, we reduced single-name idiosyncratic risk in European HY, traded some switches in Financials and added a further c. 5% of Fund NAV to our ABS allocation through commercial mortgage backed securities. We are now c. 104% invested, including the 10-year rates trade.

Portfolio Analysis[3] (% of Long Exposure)

Asset Allocation



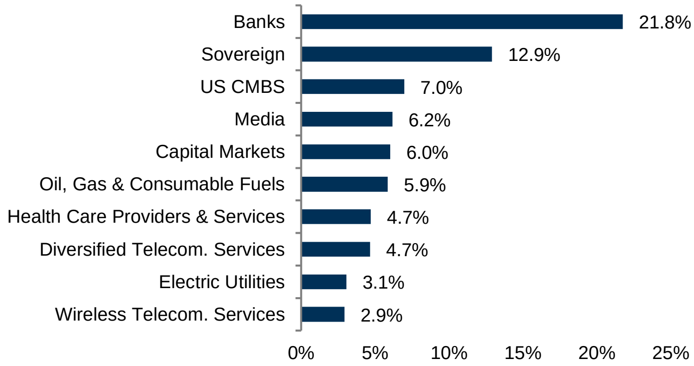
Credit Rating[3]



Fund Characteristics

	Fund
Yield to Expected Maturity (GBP)	5.81%
Weighted Average Credit Spread (bps)	268
Interest Rate Duration	4.00
Number of Securities	88
Average Rating[3,4]	BBB+
Total IR Hedge Exposure (%NAV)	0.0%

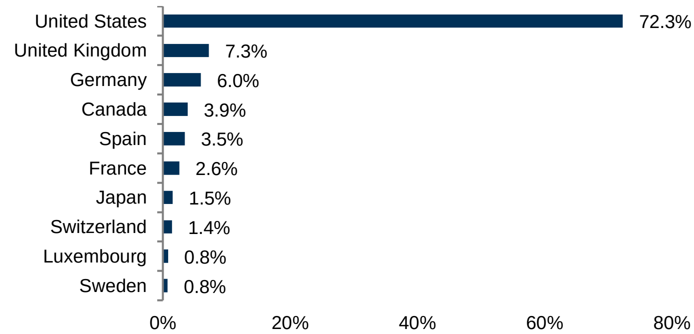
Top 10 Industry Exposures



Top 5 Holdings

Business Name	Sector	% Long Exposure
US	Sovereign	12.91
CMBX.NA.BBB-.6	ABS	6.98
JP Morgan Chase & Co	Financials	3.67
Bank Of America	Financials	3.60
Morgan Stanley	Financials	2.41

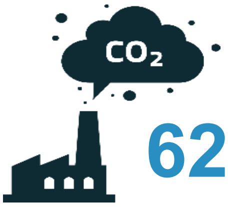
Top Country Exposures



Actual allocations at month end. There is no guarantee that the Fund will invest in this way at all or do so in the same manner as set forth in this factsheet. Figures may not sum to 100 due to rounding and the use of efficient portfolio management techniques.

The value of securities may go down as well us up, depending on the performance of companies and general market conditions. The value at which securities in certain companies can be liquidated may differ, sometimes significantly, from the interim valuations. Investment in securities of certain companies may be less liquid, more volatile and subject to greater risks than securities of other companies. Investment in emerging markets may increase the volatility of the Fund's Net Asset Value, and accordingly, an investment in the Fund's Shares may be worth more or less on redemption than their original purchase value. As the Fund may invest in derivatives, such as swaps, it may lose more than the amount invested in such derivatives. Investors in shares denominated in a currency other than the base currency of the Fund may be affected by changes in currency movements. For full details of the relevant risks reference should be made to the risk factors sections of the Prospectus and Supplement.

The Fund's portfolio currently exhibits the following characteristics:



62%

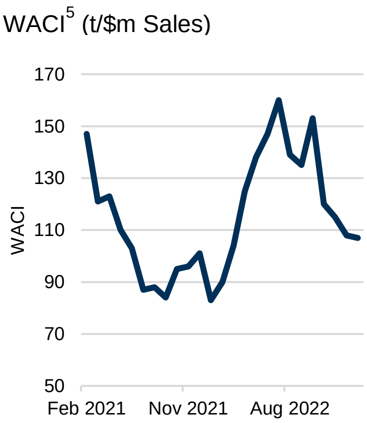
lower carbon emission intensity than the Reference Index[5]

Weighted Average Carbon Intensity (t/$m Sales)[5]

107 Fund

279 Reference Index[5]

Fund WACI since inception



Weighted Average ESG Rating[8]

A

2% of the portfolio is invested in issuers with an ESG rating of B or lower.

Responsible Investing

Commitments

As part of CQS' Firm-wide process to drive sustainability, we focus on companies which demonstrate strong ESG characteristics as well as adaptability and resilience in the transition to a low carbon economy.

The Strategy is committed to delivering:

- A portfolio with no more than 20% of NAV in issuers with an ESG rating of B or lower
- A lower WACI than the Reference Index[5]
- A Net Zero portfolio by 2050 or sooner
- Engagement to drive long-term ESG improvement
- Portfolio Decarbonisation Reference Target: 50% reduction in scope 1 and 2 Weighted Average Carbon Intensity by 2030 (from a 28 February 2021 baseline, month end following the Fund's inception)
- Engagement Threshold Target: 70% of financed emissions to be either net zero, net zero aligned or subject to direct or collective engagement and stewardship actions by 2025

Approach

- Fully-integrated ESG investment process
- Follow the CQS five-stage RI process, with portfolio managers required to consider it as part of their decision making
- Thorough research by specialist analysts and extensive engagement activity
- Select stronger ESG issuers over weaker ones, all else being equal
- ESG laggards require detailed analysis, rationale and engagement to understand the risks and actions being taken by the company
- A review of ESG characteristics at the monthly Asset Advisory Committee

Exclusions[6]

The Fund's portfolio will not include direct investment in any issuer which:

- Is involved in the production of controversial weapons
- Derives more than 10% of revenue from direct involvement in tobacco, adult entertainment or payday lending
- Derives more than 5% of revenue from direct involvement in thermal coal and/or oil sands

The Fund will also not invest in companies that, to the best of its knowledge, are in breach of the Ten Principles of the UN Global Compact.

Engagement

92 Trailing 12-month engagements across MAC Strategies[7]

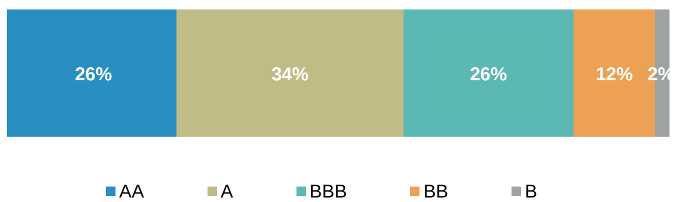
Commentary

As part of CQS' responsible investment integration process, we often have quarterly engagement calls with the banks in which we invest to monitor their progress. In February, we engaged with the Spanish bank Unicaja after they published their FY23 results. Specifically, we aimed to gain a better understanding of the changes to governance that occurred after the Liberbank merger and their progress on climate.

In regard to governance, we learnt that Unicaja has introduced a new Sustainability Committee, with five non-executive members and specific environmental and social roles. We view this as a positive change and will monitor the Committee's progress.

As the Fund is committed to reducing the portfolio's weighted average carbon intensity by 50% by 2030, we closely monitor the carbon emission disclosures and decarbonisation targets of our portfolio companies. Unicaja confirmed to us that they recently measured their scope 3 carbon emissions (they have already disclosed scope 1 & 2) and that they will publish decarbonisation targets in the coming months, which we will assess once available.

Fund ESG Rating Breakdown[8]



We are a signatory to the Net Zero Asset Managers' initiative and our interim targets have now been approved and published. Please refer to the Net Zero Asset Managers' initiative website (https://www.netzeroassetmanagers.org/signatories/cqs/) for further details.

Important Information

Source: CQS as at 28 February 2023.

[1]Target returns are estimated and net of anticipated fees, expenses and income reinvested. They are based on long-term performance projections of the investment strategy and market conditions at the time of modelling and are therefore subject to change. There is no guarantee that any target return can be achieved. Investors should not place any reliance on such target return in deciding whether to invest in the Fund. Target returns are for illustrative purposes only. For the purposes of this factsheet, we consider the "cycle" to be 5-10 years.

[2]Class returns are calculated net of fees and expenses and with all dividends and income reinvested on the basis of a holding since inception of such class or, if such class has become dormant at any point following inception, since the first new investment into such class. The Fund launched on 8 February 2021. Investors should note that the base currency of the Fund is UK Sterling. Individuals may have different returns depending upon the date of their investment. Investors should refer to each specific share class for the actual historical performance of the relevant class; please request full history of data from CQS. Class F GBP, I GBP, F EUR, I EUR and I USD launched on 8 February 2021. Class F USD launched 25 May 2021.

[3]Internal credit ratings and subsequently spread ratings are used where externally sourced credit ratings are not available. Cash allocation is rated according to the issuer rating of the custodian bank.

[4]Weighted Average Rating: positions are weighted according to BEE (Bond Equivalent Exposure (BEE): for equity and debt instruments, the market value of the position, and for derivatives, the notional adjusted by the market value of the position).

[5]Weighted Average Carbon Intensity ("WACI") is estimated using scope 1 & 2 available disclosures or proxy estimates based on comparative data from MSCI. For proxy estimates, we apply a waterfall approach which requires a minimum of 10 issuers within the proxy estimate group. If there are not 10 issuers in the proxy estimate group, it changes to a broader category group to increase the number of comparable issuers and continues moving to a broader group until a minimum group size of 10 issuers are obtained or 'sector' level is reached. The order is sub-industry first, then industry, then industry group, then finally sector. Please note that the WACI score does not include hedges for efficient portfolio management purposes. The Reference Index is the ICE BoA Developed Markets High Yield Index (HYDM).

[6]The CQS Dynamic Credit Multi Asset Fund may invest in issuers which would otherwise be prohibited under the listed exclusions via sustainability-linked bonds, 'social' bonds, 'green' bonds, 'blue' bonds, and/or 'brown' (or 'transition') bonds.

Includes cluster munitions, landmines, incendiary weapons (white phosphorus), blinding laser weapons, non-detectable fragments, depleted uranium weapons, nuclear and biological / chemical weapons.

For the purposes of monitoring the above exclusions, 'direct investment' shall not include exposure of the Fund to the underlying constituents of an index or underlying exposures in ABS transactions, or other similar investments in which the Investment Manager is unable to exercise discretion over the selection of underlying assets or exposures.

[7]This includes engagements with banks to whom we may provide Regulatory Capital Relief.

[8]ESG ratings are attributed to issuers using either third party or internal ESG ratings assessed by CQS. The ratings range from AAA-CCC and are based on factors such as climate change, toxic emissions and waste, labour management, health and safety, privacy and data security, corporate governance and behaviour, and remuneration. A waterfall approach is used when assessing the ESG rating portfolio distribution and average rating of the portfolio, whereby (i) if a third party ESG rating is available that rating is used, failing which (ii) CQS' rating will be used. ESG ratings may reflect the subjective opinions of CQS or the relevant third party and may be based on qualitative as well as quantitative data. ESG ratings may be based on unverified third party sources or unaudited financial and non-financial data. ESG ratings are not an opinion of the creditworthiness of any issuer.

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