Marketing Communication

Investor Report

31 August 2022

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	$96.2m
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 Sustainable Total Return Credit 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	(0.39)	(3.54)	(9.83)	(8.56)	(3.42)	94.65
I GBP	(0.43)	(3.65)	(10.09)	(8.96)	(3.79)	94.06
F EUR	(0.54)	(3.95)	(10.54)	(9.63)	(4.40)	93.13
I EUR	(0.59)	(4.07)	(10.02)	(9.26)	(4.31)	93.26
F USD	(0.33)	(3.35)	(9.65)	(8.36)	(4.89)	93.53
I USD	(0.36)	(3.44)	(9.89)	(8.72)	(3.69)	94.22

Commentary

Market

August has been a month of two halves for Credit markets. Initially, strong economic data (earnings/non-farm payroll) provided positive momentum that supported Credit spreads and a slowing CPI print also helped to feed the 'peak inflation' narrative. This quickly faded mid-month after Jackson Hole when the Fed re-iterated its commitment to keep rates higher for longer to bring inflation under control. Spreads widened into month-end (following equity markets' tone lower, in a low liquidity environment) and we witnessed compression in US High Yield and decompression in European High Yield.

Despite the round trip in spreads, the main thematic throughout August was the significant sell-off in global rates, particularly in Europe. For example, 5-year Gilts were 1.16% wider, 5-year Bunds were 0.86% wider, and 5-year US Treasuries were 0.67% wider. This weakness drove the underperformance of Investment Grade versus High Yield on a total return basis; Financial AT1s were similarly weak. One notable factor was the decompression on a spread basis between US High Yield and Investment Grade bonds (US High Yield was 20bps wider versus US Investment Grade that tightened by 5bps) versus the compression between European High Yield and Investment Grade (European High Yield tightened 29bps versus European Investment Grade that widened 14bps).

Given the sell-off in rates, duration has underperformed across credit markets. On an excess return basis, US High Yield Pharmaceuticals and European High Yield Autos were the weakest sectors over the month.

(continues on page 2)

Performance

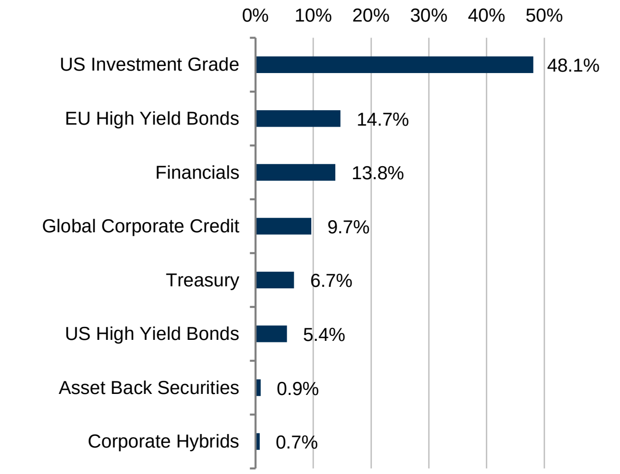
The sell-off in global rates throughout August has been challenging for absolute total returns across Credit. However, the increased quality of our portfolio – notably the rotation into US Investment Grade (50% hedged) – helped buffer losses. The Fund outperformed wider Credit markets, with each core strategy outperforming their respective benchmark indices. In particular, our US High Yield portfolio benefitted from single-name strength while within the Efficient Portfolio Management strategy our rates hedges performed well.

Positioning

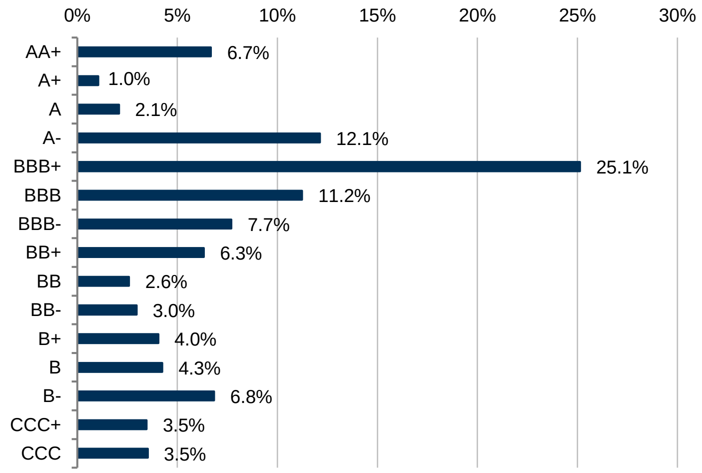
Over August, we continued to increase the quality of our portfolio. We rotated out of our BB US High Yield portfolio to top up our BBB US Investment Grade allocation, as BB spreads looked expensive relative to BBB spreads. We also rotated several names in our Financials portfolio and took profits on select names in the US High Yield conviction book. We took profits on our tactical European rates hedge, whilst we also reduced our Investment Grade book hedge ratio from 50% to 25% as government yields moved higher.

Portfolio Analysis[3] (% of Long Exposure)

Asset Allocation



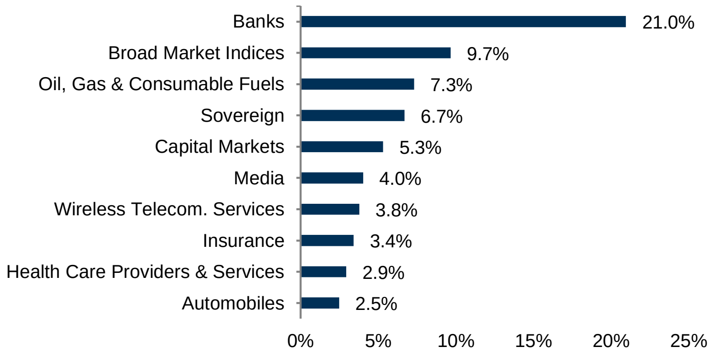
Credit Rating[3]



Fund Characteristics

	Fund
Yield to Expected Maturity (GBP)	5.70%
Credit Spread (bps)	337
Interest Rate Duration	3.61
Number of Securities	170
Average Rating[3,4]	BBB
Total IR Hedge Exposure (%NAV)	(18.7)

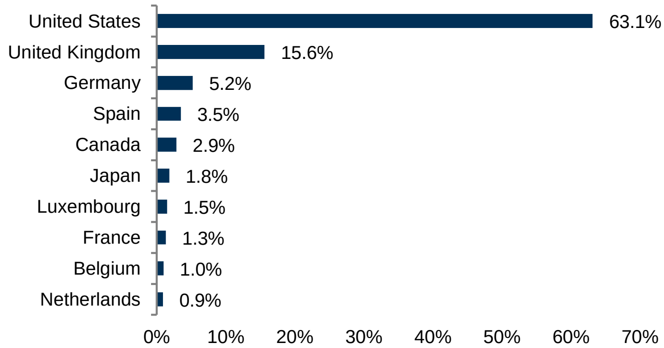
Top 10 Industry Exposures



Top 5 Holdings

Business Name	Sector	% Long Exposure
iBoxx USD Liquid IG Index	Broad Market Indices	9.66
US	Sovereign	6.68
Morgan Stanley	Financials	2.09
Goldman Sachs	Financials	1.77
Cooperative Bank Finance	Financials	1.68

Top 10 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:

CO_2

50%

lower carbon emission intensity than the Reference Index (HYDM)[5]

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

139 Fund

278 Reference Index (HYDM)[5]

Fund WACI since inception

WACI[5] (t/$m revenue)

Weighted Average ESG Rating

A

Less than 8% of the portfolio is invested in issuers with an ESG rating of B or lower.

Responsible Investing

Restrictions & Considerations

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 ICE BofA Developed Markets High Yield Index (HYDM)
- A Net Zero portfolio by 2050 or sooner
- Engagement to drive long-term ESG improvement

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
- Companies that as far as the IM is aware are linked to or engage in activities deemed to be in breach of the Ten Principles of the UN Global Compact

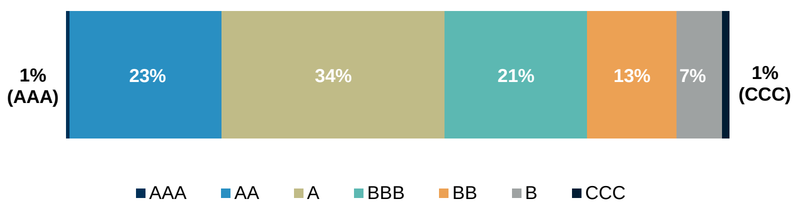
Engagement

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

Commentary

CQS is a proud supporter and engagement lead in CDP's 2022 Non-Disclosure Campaign. The campaign seeks to encourage companies to improve their disclosures on climate, forests and water. So far, we have signed 63 letters and led on 18 engagements with these companies. For each engagement on which we were a lead, we represented at least 25 investors and covered at least $3.9tn in assets (the largest covering $9.6tn in assets). CQS believes that through collaborative engagement we can increase the probability of tangible impact.

Fund ESG Rating Breakdown[8]



Important Information

Source: CQS as at 31 August 2022.

[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.

[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 Sustainable Total Return Credit 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 CLO managers and banks to whom we provide regulatory capital relief but excludes engagements as part of our broader Climate Audit.

[8]ESG rating breakdown is calculated based on percentage of rated assets and using a waterfall approach. We use the MSCI ESG rating first. Where there is no MSCI ESG rating, we then use the CQS internal ESG rating. MSCI ESG ratings are sourced from MSCI ESG Research LLC. Please see the MSCI ESG Rating disclaimer at the end of this report.

All market data sourced from Bloomberg, Bank of America Merrill Lynch and UBS. Past performance may not be a reliable guide to future performance. The value of investments can go down as well as up.

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PRI Note:

PRI is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMv9.

Investors should take into account all characteristics and objectives of the fund as set out in full in the fund’s supplement and/or prospectus. Further information on the investment manager’s ESG processes and commitments, including its Responsible Investment Policy, can be found on www.cqs.com.

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