Marketing
Communication

Investor Report

30 December 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	$38.1m
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	(0.04)	3.66	(10.22)	(10.22)	(3.05)	94.24
I GBP	(0.07)	3.65	(10.51)	(10.51)	(3.38)	93.62
F EUR	(0.17)	3.38	(11.29)	(11.29)	(4.07)	92.35
I EUR	(0.22)	3.25	(10.93)	(10.93)	(4.08)	92.33
F USD	0.07	4.15	(9.52)	(9.52)	(3.84)	93.68
I USD	0.03	4.03	(9.90)	(9.90)	(3.06)	94.22

Commentary

Market

2022 closed with another month of negative returns across Investment Grade (IG) and High Yield (HY) credit indices. Rates were the predominant driver of returns in December as credit spreads remained relatively firm, although we did witness US HY reverse some of its recent strength. Despite a downwards shift in the pace of rate hikes at the European Central Bank (ECB) and US Federal Reserve - to 50bps from 75bps – the focus was on a continued hawkish narrative, particularly out of the ECB, which signalled more rate hikes ahead. This increased concerns about future corporate earnings.

Technicals in credit markets remained firm, with constructive fund flows, elevated exchange-traded fund premiums and a lack of primary issuance providing support for secondary markets. The sell-off in rates was most significant in Europe, with Germany's 10-year bund moving 65bps wider, more than the 27bps increase in US 10-year Treasury yields.

Contrary to rates, European spreads outperformed their US peers across both HY and IG, led by single B risk in EU HY, while lower quality B/CCC risk underperformed in US HY. As a result, credit indices' performance in December saw Global IG outperform relative to Global HY (on a GBP hedged basis, IG was down -0.64% versus HY which was down -0.77%). A notable standout in December was the performance of European Bank AT1s, which outperformed wider IG/HY credit, posting +1.32% on a GBP hedged basis, catching up with November underperformance. A higher interest rates narrative tends to provide a tailwind to the Banking sector's profit margins.

Performance

December was a strong month for the Fund relative to global credit indices largely due to the Fund's defensive shorter-duration positioning during a global rate sell-off. Core strategies

(continues on page 2)

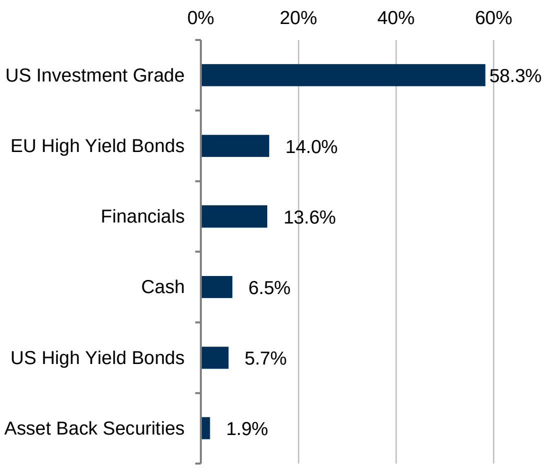
outperformed their respective benchmarks. There was strength within our Financials book, as Tier 2 risk outperformed. The European HY benefitted from idiosyncratic single-name strength. The US IG allocation also outperformed as a function of the shorter 3-5 year positioning. Our US Convertible book slightly outperformed driven by resilience in select BB/B risk. Our Efficient Portfolio Management book contributed positively to returns owing to profits on the short US 10-year and CDX HY positions.

Positioning

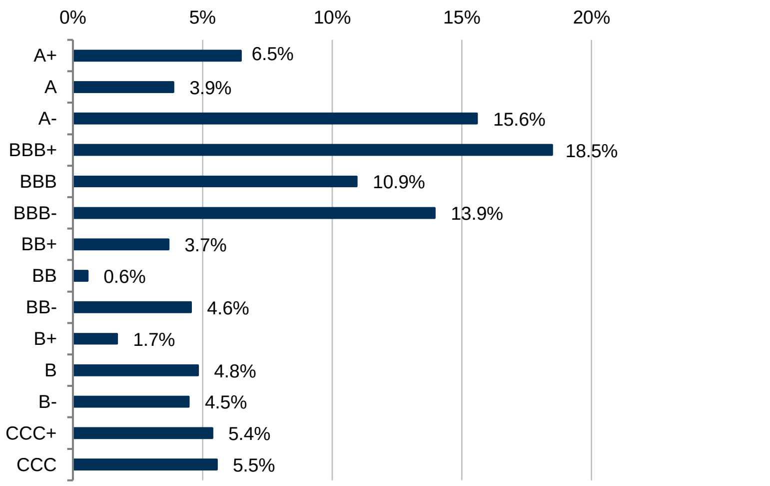
Early in December, the Fund reduced duration by rotating the US IG portfolio to focus on the 3-5 year point of the yield curve. However, the Fund maintained its bias to quality through an overweight allocation to IG relative to HY. The Fund traded volatility in US 10-year bonds, taking profits on short positions while maintaining a tactical short position in CDX HY.

Portfolio Analysis[3] (% of NAV)

Asset Allocation



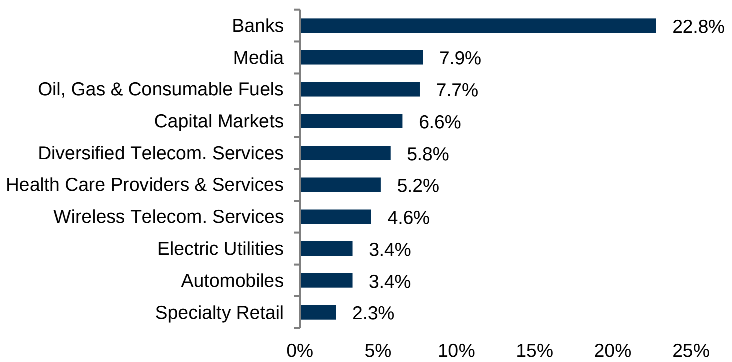
Credit Rating[3]



Fund Characteristics

	Fund
Yield to Expected Maturity (GBP)	6.56%
Weighted Average Credit Spread (bps)	362
Interest Rate Duration	3.12
Number of Securities	87
Average Rating[3,4]	BBB-
Total IR Hedge Exposure (%NAV)	0.0%

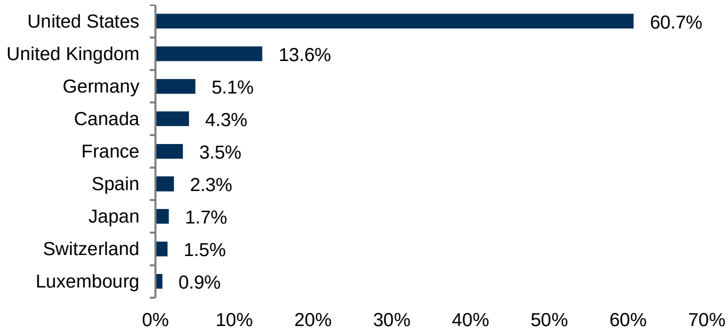
Top 10 Industry Exposures



Top 5 Holdings

Business Name	Sector	% NAV
JP Morgan Chase & Co	Financials	4.00
Bank Of America	Financials	3.91
Co-operative Bank Finance	Financials	3.41
Morgan Stanley	Financials	2.66
Goldman Sachs	Financials	2.38

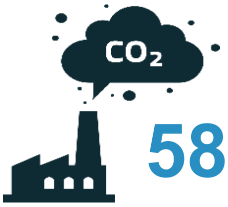
Top Country Exposures



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:



58%

lower carbon emission intensity than the Reference Index[5]

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

115 Fund

272 Reference Index[5]

Fund WACI since inception

WACI[5] (t/$m Sales)

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

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

Commentary

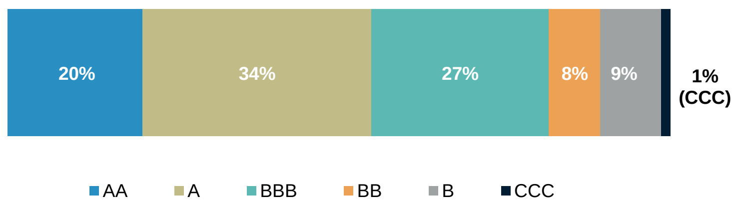
As well as our climate focus, CQS is striving to increase our engagements on social issues. Poor mental health costs employers billions of pounds each year, and the cost has risen since the pandemic. To tackle this, CQS are proud supporters of the Corporate Mental Health Benchmark by CCLA and associated corporate engagement. CQS was one of 29 founding signatories of the Global Investor Statement on Workplace Mental Health, representing $7 trillion in assets under management. We have also co-signed letters to 100 UK companies and 100 global companies, which have received a positive response and led to improved mental health disclosures over the last six months of 2022. In 2023, CQS will support CCLA in direct corporate engagement on mental health with two companies that were ranked in the bottom tier in the CCLA Corporate Mental Health Benchmark Global report.

Weighted Average ESG Rating[8]

A

10% of the portfolio is invested in issuers with an ESG rating of B or lower.

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 30 December 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. 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 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 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 rating are not an opinion of the creditworthiness of any issuer.

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PRI Note:

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

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IIGCC The Institutional Investors Group on Climate Change

RACE TO ZERO PARTNER