Marketing Communication

Investor Report

31 January 2023

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	$39.7m
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	2.52	6.39	2.52	(6.68)	(1.71)	96.62
I GBP	2.49	6.39	2.49	(6.98)	(2.05)	95.95
F EUR	2.39	6.10	2.39	(7.98)	(2.76)	94.56
I EUR	2.34	5.95	2.34	(7.60)	(2.80)	94.48
F USD	2.60	6.86	2.60	(5.87)	(2.24)	96.11
I USD	2.57	6.74	2.57	(6.27)	(1.70)	96.63

Commentary

Market

A rally in global rates and compression in credit spreads across Investment Grade (IG) and High Yield (HY) markets – in both the US and Europe – set the year off to a strong start. This remarkable turn in sentiment relative to the end of 2022 was driven by the reversal of fears of a global recession in Europe due to the fall in energy prices, China's continued reopening, signs that inflation is continuing to decrease, and stronger relative corporate earnings releases. This positive outlook was priced into spreads: in the US, HY spreads reverted to the 45th percentile since 2011, while European HY spreads moved into the 62nd percentile.

Across both regions, CCC rated bonds were notable outperformers over the month (US HY CCC +6.2% and EU HY CCC +5.5%, both given in local currency terms). Given the tight spread levels of BB rated bonds coming into the new year, the rally in HY was mainly driven by the less liquid and lower credit quality cohort of indices.

In the first few weeks of the year, market technicals continued to support secondary pricing. For example, the high cash balance, defensive positioning, and large ETF premiums (driven by inflows) drove secondary strength. In addition, fund inflows were increasingly supportive, with seven out of the last eight weeks showing positive inflows for European HY, which supported the positive technical.

In IG, longer-duration bonds were the standout performer (US 10-year yields tightened 38bps and European 10-year yields tightened 29bps). This helped support Global IG returns which only slightly underperformed HY despite the rally in spreads (Global IG gained 3.2% while Global HY gained 3.6%, both given on a GBP H basis). AT1s have had another very strong month, outperforming IG and HY (4.5% GBP H).

(continues on page 2)

Performance

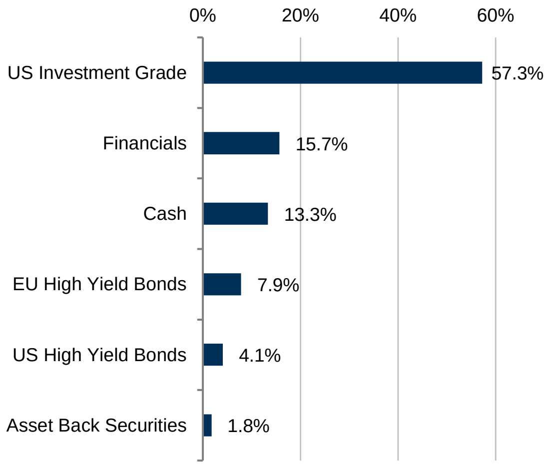
January was a strong month in absolute returns for the Fund principally due to the rally in rates/spreads. However, relative to credit indices, the Fund underperformed owing to our defensive duration positioning entering 2023. In particular, our exposure to shorter-dated US IG for income and higher cash balances.

Within the portfolio, our core HY and Financials portfolios all outperformed their respective indices. The US HY portfolio was driven by a rally in specific single-name CCC risk, which we pared down. While our IG book underperformed the overall US IG index, duration-adjusted relative performance was positive. Our Efficient Portfolio Management strategy was a net drag on returns due to our CDX HY short position as well as our short in US 10-year futures.

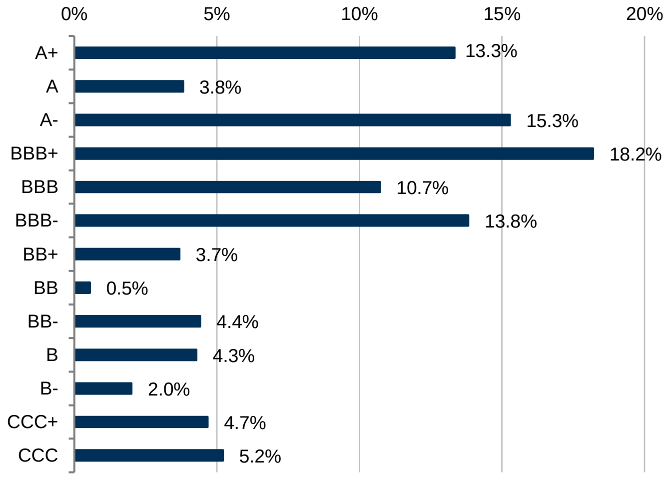
We kept our positioning consistent through January, with our short duration bias favouring income through 3 to 5-year IG, a relatively defensive risk positioning (overweight US IG at c.60% of NAV), and overweight defensive sectors, such as Financials. We took profits on some of the higher beta European and US HY conviction names that significantly outperformed. We traded around the significant rate volatility through US 10-year futures and added a small bund hedge on some of our benchmark European HY risk.

Portfolio Analysis[3] (% of NAV)

Asset Allocation



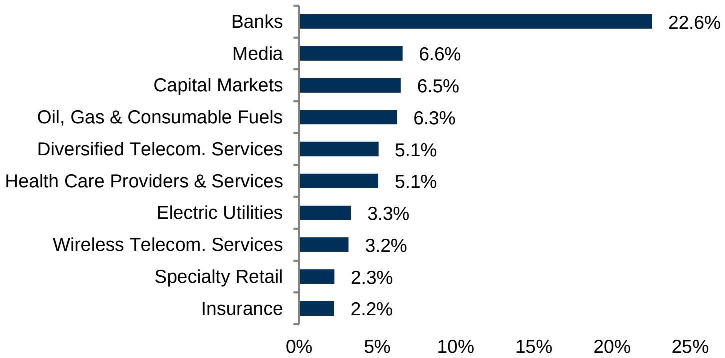
Credit Rating[3]



Fund Characteristics

	Fund
Yield to Expected Maturity (GBP)	5.50%
Weighted Average Credit Spread (bps)	284
Interest Rate Duration	1.95
Number of Securities	84
Average Rating[3,4]	BBB
Total IR Hedge Exposure (%NAV)	-12.3%

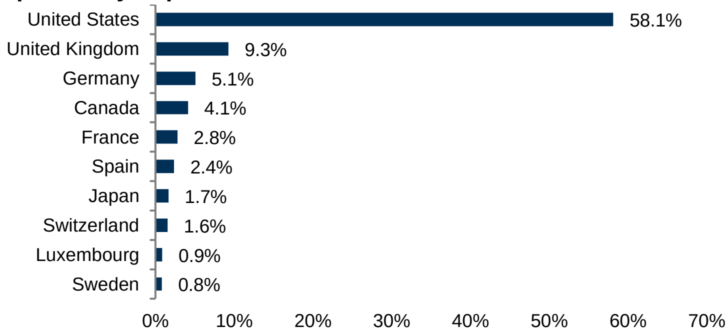
Top 10 Industry Exposures



Top 5 Holdings

Business Name	Sector	% NAV
JP Morgan Chase & Co	Financials	3.92
Bank Of America	Financials	3.86
Co-operative Bank Finance	Financials	3.42
Morgan Stanley	Financials	2.58
Goldman Sachs	Financials	2.36

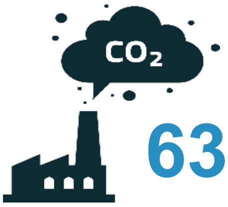
Top Country Exposures



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:



63%

lower carbon emission intensity than the Reference Index[5]

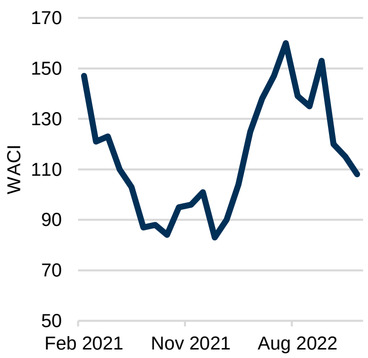
Weighted Average Carbon Intensity (t/$m Sales)[5]

108 Fund

290 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

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

Commentary

At CQS, Climate Risk is one of our key investment themes and we actively look for opportunities to engage on this theme with the companies in which we invest.

We engaged with a French Telecommunications company, Iliad, on progress surrounding their climate strategy. Due to its private ownership, Iliad is not rated by MSCI and therefore we rely on our internal analysis to assign an ESG rating. Based on updates we received from the company, including committing to set Science Based Targets, we were able to upgrade our internal ESG rating from B to BB for Iliad.

In addition, we decided to follow up with Iliad to discuss how they plan to reach the decarbonisation goals they have set. They informed us that they have hired an energy specialist to focus on renewables as they would like to purchase their electricity from renewable sources in the future. Iliad confirmed that they will be setting up an ESG Committee and aim to hire a Head of ESG. They also plan to have their Science Based Targets published by the end of July 2023. We believe that these updates show positive progress and we will continue to monitor for updates.

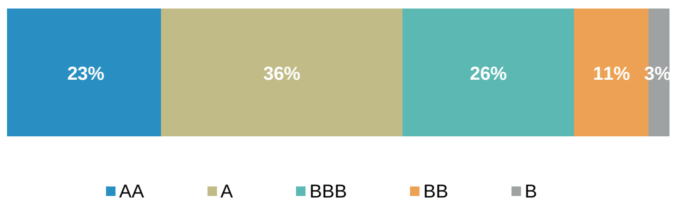
Please note that Iliad was not held by the Fund as at 31 January 2023. However, Iliad is currently held across other MAC strategies and may be bought again for the Fund in the future.

Weighted Average ESG Rating[8]

A

3% 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 31 January 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 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 ratings 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.

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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The offer and the marketing of shares of the Fund in Switzerland will be exclusively made to, and directed at, qualified investors (the “Qualified Investors”), as defined in Article 10(3) and (3ter) of the Swiss Collective Investment Schemes Act (“CISA”) and its implementing ordinance, at the exclusion of qualified investors with an opting out pursuant to Art. 5(1) of the Swiss Federal Act on Financial Services FinSA ”) and without any portfolio management or advisory relationship with a financial intermediary pursuant to Article 10(3ter) CISA (“Excluded Qualified Investors”). Accordingly, the Fund has not been and will not be registered with the Swiss Financial Market Supervisory Authority (“FINMA”) and no representative or paying agent have been or will be appointed in Switzerland. This material and/or any other offering or marketing materials relating to the shares of the Fund may be made available in Switzerland solely to Qualified Investors, at the exclusion of Excluded Qualified Investors. The legal documents of the Fund may be obtained free of charge from Citco Fund Services (Ireland) Limited, Custom House Plaza, Block 6, International Financial Services Centre, Dublin 1, Ireland.

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