Marketing Communication

Factsheet

29 July 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	$97.7m
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	1m (%)	3m (%)	YTD (%)	1 Year (%)	SI Ann. (%)	NAV/Share
F GBP	2.66	(4.02)	(9.48)	(7.65)	(3.35)	95.02
I GBP	2.62	(4.12)	(9.70)	(8.05)	(3.72)	94.47
F EUR	2.52	(4.40)	(10.06)	(8.66)	(4.29)	93.64
I EUR	2.48	(4.52)	(9.49)	(8.28)	(4.17)	93.82
F USD	2.73	(3.88)	(9.36)	(7.53)	(4.96)	93.84
I USD	2.70	(3.97)	(9.56)	(7.89)	(3.65)	94.57

Commentary

Market

July witnessed a significant relief rally in broader credit markets after a remarkably weak first half of the year. Ongoing concerns over persistently high inflation, slowing economic growth and geopolitical uncertainty appear to have been set to one side for now. Instead, markets have rallied on the perceived prospect of more dovish central bank action (Fed pivot), better than expected corporate earnings and a strong technical backdrop.

Despite rate hikes from the Fed and European Central Bank, rates rallied with benchmark 10-year 36bps tighter in the US and 52bps tighter in Europe (US 2s10s were still deeply inverted at -24bps). The rates move supported total returns and, in combination with the material tightening in spreads, led to US High Yield (HY) posting its biggest monthly gain since September 2009 (GBP hedged +5.80%), with European HY slightly behind (GBP hedged +5.11%). Turning to sectors, European Real Estate continued to bounce from recent weakness, while higher beta US Cable and Healthcare have been well bid and had the largest pull on benchmark returns.

Performance

The rally in wider credit, specifically the compression of HY to Investment Grade (IG) spreads, was challenging for our defensively-positioned, shorter duration portfolio. Our core conviction HY strategies underperformed their respective benchmarks, owing to the decompression thematic, while our US Liquid Benchmark strategy outperformed given its higher quality bias. Our IG allocation underperformed given its shorter duration bias, while our Efficient Portfolio Management (EPM) strategy helped to bolster returns, benefitting from strength in CDX High Yield.

(continues on page 2)

Positioning

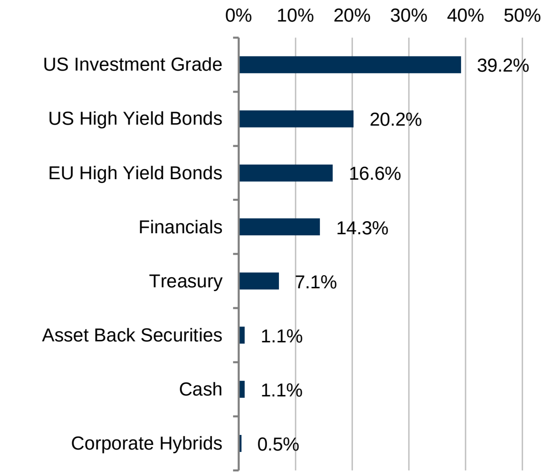
We used the strength of markets and recovery in HY as an opportunity to significantly increase the quality of the portfolio. We reduced our exposure to the European HY conviction book and all our European/US Convertible Bond allocations. This capital was deployed to US IG ~5-year paper, which we have a hedging ratio of close to 90% on. In Financials, we swapped select Greek debt for higher quality banks. The average rating on the portfolio is now BBB- with a duration of 1.7 years, as we are positioned in liquid, higher quality and in defensive credits and sectors.

Outlook

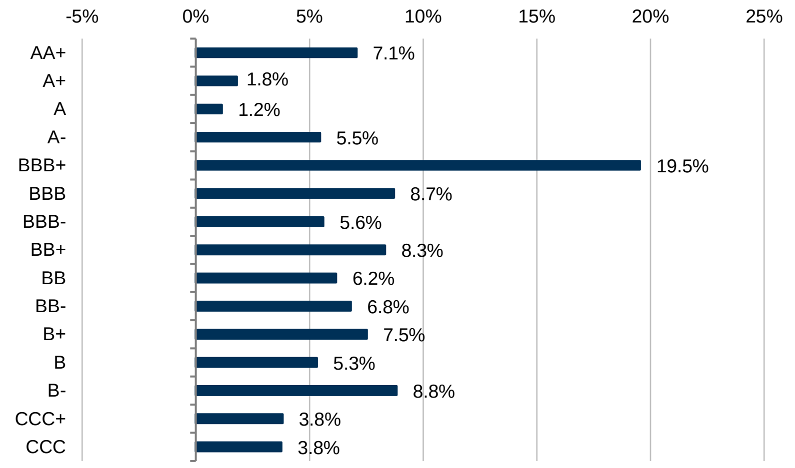
Despite a mostly positive US earnings season, companies in both Europe and the US may be challenged by high inflation and interest rates over the next few months. We believe that our quality shift will allow us to outperform markets over the coming months.

Portfolio Analysis[3] (% of NAV)

Asset Allocation



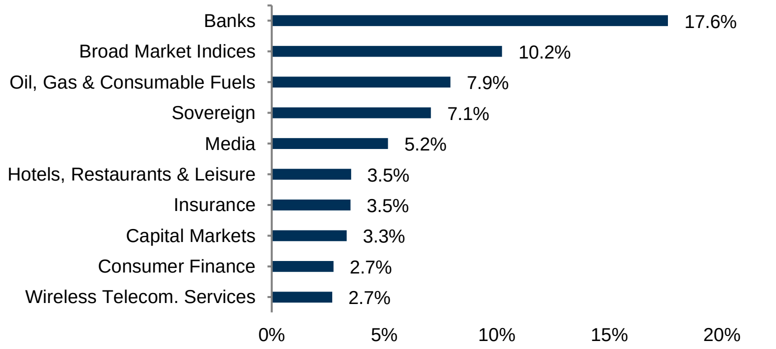
Credit Rating[3]



Fund Characteristics

	Fund
Yield to Expected Maturity (GBP)	5.48%
Credit Spread (bps)	400
Interest Rate Duration	1.74
Number of Securities	165
Average Rating[3,4]	BBB-
Total IR Hedge Exposure (%NAV)	(48.4)

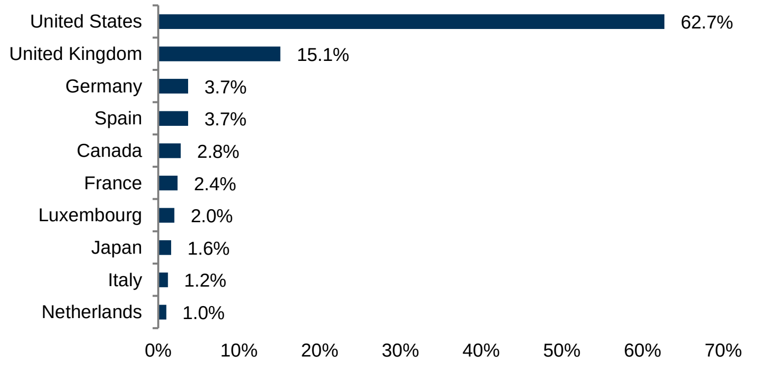
Top 10 Industry Exposures



Top 5 Holdings

Business Name	Sector	% NAV
iBoxx USD Liquid IG Index	Broad Market Indices	10.23
US	Sovereign	7.07
Co-operative Bank Finance	Financials	1.85
Jaguar Land Rover Automotive	Consumer Discretionary	1.62
Novafives	Industrials	1.45

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 as 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:

42%

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

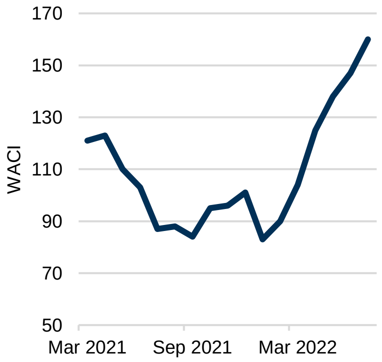
Weighted Average Carbon Intensity (t/$m revenue)[6]

160 Fund

276 Reference Index (HYDM)[5]

Fund WACI since inception

WACI[5] (t/$m revenue)



Weighted Average ESG Rating

BBB

Less than 13% 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[7]

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

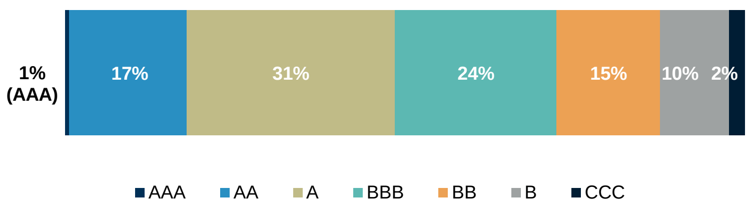
Engagement

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

Commentary

As a Firm we consistently monitor the progress made by companies with which we engage. In 2021 we engaged with the Japanese investment management company Soft Bank. The CFO told us that they take ESG and disclosure seriously, and that the CFO would also be taking on the role as Sustainability Officer. Since then, we have been monitoring the company. In a recent discussion with the CFO, he confirmed that they now disclose net zero targets for the group as a whole, in accordance with the Task Force for Climate-Related Disclosures (TCFD). The role of Sustainability Officer will also be transferred to the head of IR. As a result of this progress, we were able to update our internal systems and climate transition analysis.

Fund ESG Rating Breakdown[8]



Important Information

Source: CQS as at 29 July 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 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]CQS as at 31 July 2022. 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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