Marketing Communication

Investor Report

30 November 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		$38.0m
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	3.81	(0.39)	(10.19)	(9.05)	(3.16)	94.28
I GBP	3.89	(0.39)	(10.44)	(9.34)	(3.49)	93.69
F EUR	3.80	(0.67)	(11.14)	(10.16)	(4.16)	92.51
I EUR	3.75	(0.79)	(10.73)	(9.81)	(4.15)	92.53
F USD	4.09	0.08	(9.58)	(8.37)	(4.08)	93.61
I USD	4.04	(0.04)	(9.92)	(8.75)	(3.21)	94.19

Commentary

Market

November was a strong month for Credit and wider macro markets, helped by signs that inflation is gradually starting to ease in Europe and the US, while China is starting to relax its stringent Covid lockdown policy. With the ongoing lack of sub-Investment Grade (IG) issuance, constructive fund flows and persistent ETF premiums, markets were set up for a strong rally and credit spreads tightened across the board. European High Yield (HY) benefitted most from this rally, followed by AT1s and rate-sensitive US IG; the more growth-dependent US HY lagged. The tightening of credit spreads since October has resulted in US credit spreads looking less appealing versus their long-term median, given economic uncertainty, whilst European credit and Financial AT1s still appear to be attractive.

US Treasuries posted their strongest month since March 2020, while European bunds and UK gilts also rallied. This helped drive strength in long duration assets. For example, the 25 year + US IG, which accounts for 12% of US IG index, rallied 9.7% over the month. While duration outperformed, lower quality was a clear outperformer on a spread basis, with B/CCC credits rising in both Europe and the US. Within the benchmark, Global IG outperformed Global HY in November (on a GBP hedged basis, IG was up 3.8% versus HY, which added 2.1%).

Performance

The Fund outperformed its reference benchmark, largely due to the strength of US IG relative to wider credit, as well as a strong performance from our European HY conviction portfolio (on a GBP hedged basis, the Fund was up 3.81% versus the reference benchmark that was up 2.23%). This helped regain ground after the relative weakness of October.

(continues on page 2)

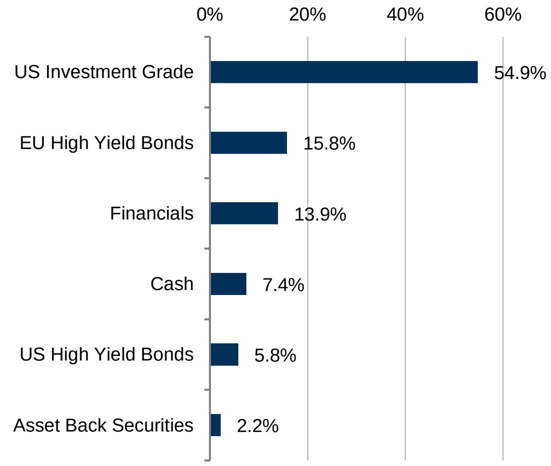
Strength within our European HY portfolio was driven by the rally in lower quality B rated risk, which was up 3-4%. While our US IG book lagged its respective benchmark, due in part to the strength of long-duration bonds, our overall overweight in IG helped it outperform other credit asset classes. Within our Financials allocation, there was strength in Spanish banks. Our US HY conviction book slightly outperformed its benchmark owing to idiosyncratic single-name strength. The Efficient Portfolio Management book was a drag on performance due to its short positions on US 10-year and CDX HY, both of which rallied in November.

Positioning

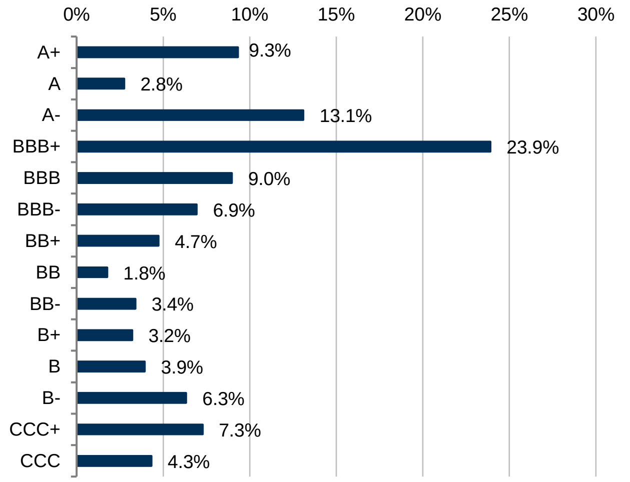
We maintained our relative allocation between asset classes but with an increase in the bias towards quality and in favour of US IG 5-7 year duration. We added a tactical short position in CDX HY and traded around recent volatility in US rates, where we maintain a short position in the US 10-year note.

Portfolio Analysis[3] (% of NAV)

Asset Allocation



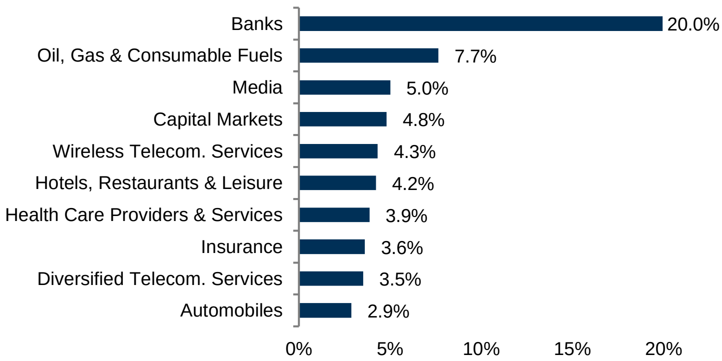
Credit Rating[3]



Fund Characteristics

	Fund
Yield to Expected Maturity (GBP)	6.32%
Weighted Average Credit Spread (bps)	375
Interest Rate Duration	3.10
Number of Securities	109
Average Rating[3,4]	BBB-
Total IR Hedge Exposure (%NAV)	(11.7%)

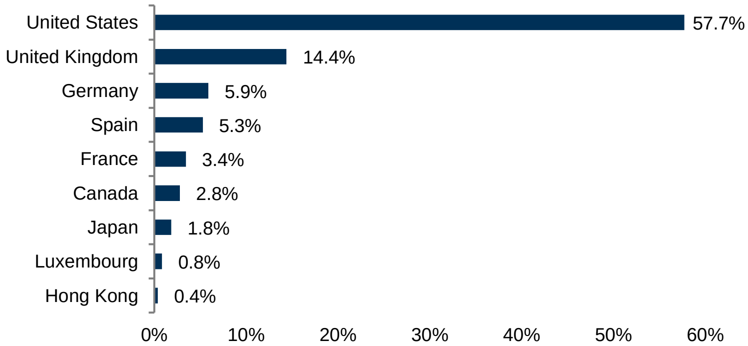
Top 10 Industry Exposures



Top 5 Holdings

Business Name	Sector	% NAV
Cooperative Bank Finance	Financials	3.32
JP Morgan Chase & Co	Financials	2.69
Morgan Stanley	Financials	2.62
Wells Fargo & Co	Financials	2.43
Bank Of America	Financials	2.40

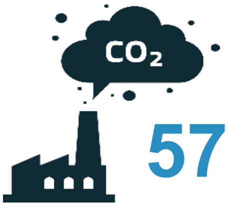
Top Country Exposures



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:



57%

lower carbon emission intensity than the Reference Index[5]

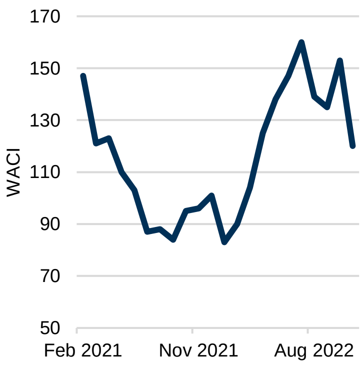
Weighted Average Carbon Intensity (t/$m Sales)[5]

120 Fund

277 Reference Index[5]

Fund WACI since inception

WACI[5] (t/$m Sales)



Weighted Average ESG Rating[8]

A

10% 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 Reference Index[5]
- 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

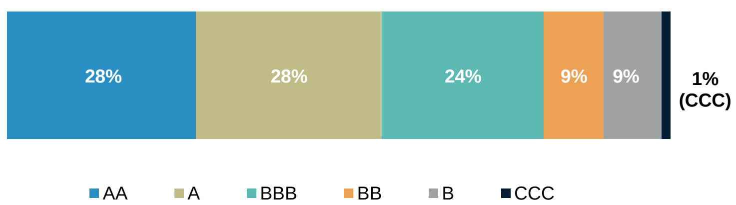
Engagement

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

Commentary

At CQS, we conduct our own ESG analysis to ensure we have understood the risks and opportunities for the corporate issuer. We assign an ESG rating (from AAA to CCC) and an ESG outlook rating (Positive, Neutral or Negative). In our review of Jaguar Land Rover, we noticed MSCI had limited data available on the company and were instead rating them based on their parent company, Tata Motors, who were rated B, representing that they are a laggard. We have consistently engaged with Jaguar Land Rover and found that they have good governance, a clear decarbonisation pathway and have developed an electrification target of 100% EV sales by 2025. As a result, we assigned them an A ESG rating, which places them in the top 11% for the automobile industry based on MSCI's distribution. The company has recently announced that Jaguar Land Rover have been assigned a Sustainalytics score of 17.1, which is equivalent to an A MSCI rating. This shows how robust of an internal ESG process we have developed at CQS.

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 November 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 CLO managers and banks to whom we 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.

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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