

Investor Report

30 September 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 volatility¹

Key Fund Facts

Portfolio Managers	Craig Scordellis and Darren Toner
Fund Launch Date	8 February 2021
AUM	\$91.5m
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	Daily by 1pm
Subscriptions and Redemptions	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

Performance²

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	(3.94)	(1.78)	(13.39)	(12.71)	(5.55)	90.92
I GBP	(3.97)	(1.88)	(13.66)	(13.09)	(5.92)	90.33
F EUR	(4.08)	(2.20)	(14.19)	(13.80)	(6.54)	89.33
I EUR	(4.12)	(2.32)	(13.73)	(13.47)	(6.49)	89.42
F USD	(3.84)	(1.54)	(13.12)	(12.41)	(7.21)	89.94
I USD	(3.89)	(1.65)	(13.39)	(12.77)	(5.77)	90.56

Commentary

Market

September has been an extremely volatile month in global Credit. We got off to a relatively constructive start with spreads tightening and rate markets relatively well contained, until a higher-than-expected US CPI print (core up 6.3% versus up 6.1% expected) dealt a blow to the prevalent soft-landing narrative. This increased the perceived likelihood of an economic slowdown and recession as central banks are more likely to hike further.

Since the CPI data release, global markets have digested further inflationary/macro surprises and rate markets have sold off aggressively (US 10-year up 50 basis points (bps)), EU 10-year up 46bps, UK 10-year up 1%). This drove the total return underperformance of higher quality and longer duration Credit indices. We closed September with Investment Grade (IG) underperforming High Yield (HY), posting its worst month's performance year-to-date (Global IG GBP hedged down 4.7% versus Global HY GBP hedged down 4%). Spreads also moved wider, driven by a significant sell-off in the final week of the month, with US/European HY now just 40-50bps off year-to-date wides. The move lower was led by lower quality risk. Financial AT1s were particularly weak over the month. The asset class posted its weakest month of the year (down 6.9%). The move in yields for Credit has also been significant. For example, US IG Credit now yields 5.7% - about 1.5% more than what you were paid in US HY on 1 January 2022.

Primary markets remain subdued due to the elevated rate volatility that continues to pressure spreads and wider market stability. Underperforming sectors in Europe include Healthcare, Real Estate and more cyclical Retail within the US.

(continues on page 2)

Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this UCITS presents disproportionate communication on the consideration of non-financial criteria in its investment policy.

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. Information about the Fund and copies of the prospectus, the supplement, the key investor information documents, the latest audited annual report and accounts and any subsequent unaudited semi-annual report may be obtained free of charge from the administrator, BNP Paribas Fund Administrator (Ireland) Limited (the Administrator) or the investment manager, CQS (UK) LLP upon request. The Fund is authorised in Ireland and regulated by the Central Bank of Ireland.

Performance

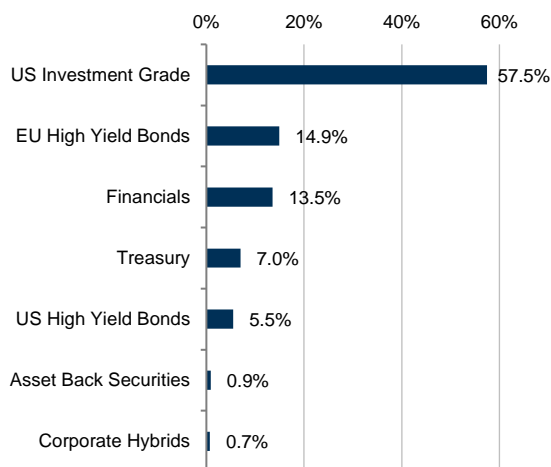
The global sell-off in both rates and spreads in September has been a difficult environment for total returns. While absolute returns were negative, we outperformed both IG and HY markets, owing to relative single-name outperformance in our conviction HY portfolios and a lower duration allocation within our IG book.

Positioning

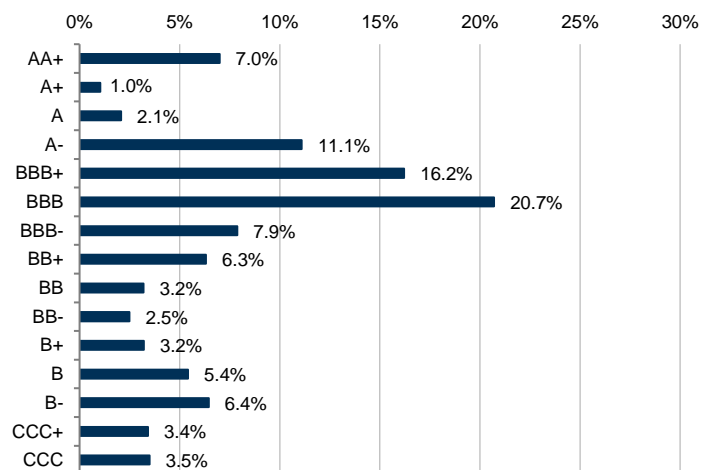
We had relatively few position changes in September. We executed an extension trade within our liquid IG allocation; there was a small net addition within conviction European HY as well as trading in our Efficient Portfolio Management book through CDX HY.

Portfolio Analysis³ (% of Invested)

Asset Allocation



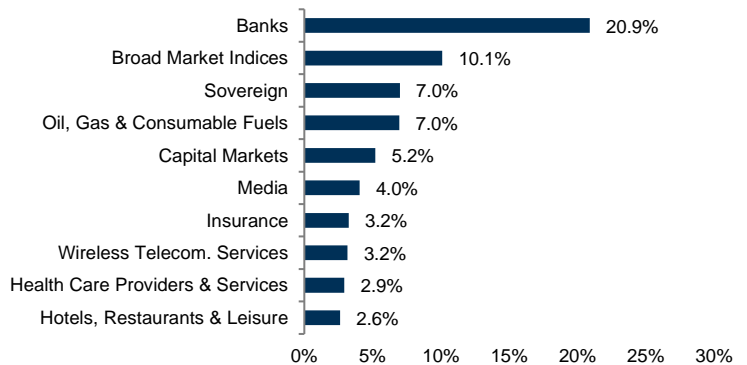
Credit Rating³



Fund Characteristics

	Fund
Yield to Expected Maturity (GBP)	6.47%
Weighted Average Credit Spread (bps)	392
Interest Rate Duration	4.73
Number of Securities	170
Average Rating ^{3,4}	BBB
Total IR Hedge Exposure (%NAV)	(1.0%)

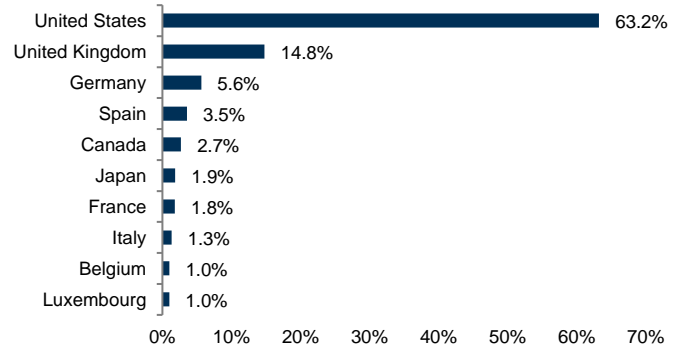
Top 10 Industry Exposures



Top 5 Holdings

Business Name	Sector	% of Invested
iBoxx USD Liquid IG Index	Broad Market Indices	10.09
US	Sovereign	6.99
Morgan Stanley	Financials	2.01
Goldman Sachs	Financials	1.76
Cooperative Bank Finance	Financials	1.65

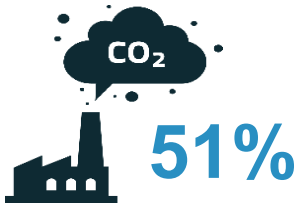
Top 10 Country Exposures



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:



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

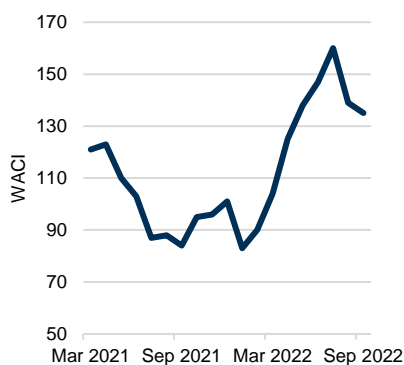
Weighted Average Carbon Intensity (t/\$m revenue)⁵

135 Fund

277 Reference Index (HYDM)⁵

Fund WACI since inception

WACI⁵ (t/\$m revenue)



Weighted Average ESG Rating

A

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

Exclusions⁶

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

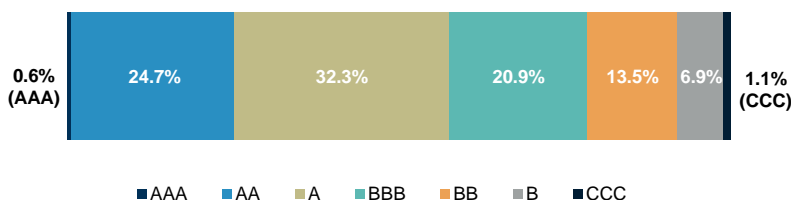
Engagement

131 Trailing 12-month engagements across MAC Strategies⁷

Commentary

CQS work with and support a wide range of Responsible Investment initiatives. We are a proud supporter of the Climate Action 100 initiative and as part of the programme engaged with a US based airline. Through the initiative we have been able to influence the company towards becoming the first airline with approved science-based targets. We have continued to engage through Climate Action 100 to monitor progress on these carbon reduction goals and discuss a range of other issues, such as executive compensation. For example, we learnt about the work they had done to invest in Sustainable Aviation Fuel (SAF) technologies and how they see the future of SAF developing. They were also receptive to the idea of including climate metrics in executive compensation which we view as positive. We will continue to monitor for progress.

Fund ESG Rating Breakdown⁸



Important Information

Source: CQS as at 30 September 2022.

¹Target 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.

²Class 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.

³Internal 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.

⁴Weighted 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).

⁵Weighted 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).

⁶The 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.

⁷This includes engagements with CLO managers and banks to whom we provide regulatory capital relief.

⁸ESG 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.

Information required, to the extent applicable, for Distribution of Foreign Collective Investment Schemes to Qualified Investors in Switzerland:

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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