

Key Fund Information

Investment Manager	CQS (UK) LLP
Portfolio Manager	Rupert Mathews
Fund Launch Date	11 February 2008
Fund Size	\$143m
Legal Structure	UCITS
Domicile	Ireland
Reference Currency	USD
Share Classes	USD, GBP, EUR
UK Reporting Status	Available for selected share classes
Income Available	Available for selected share classes
Dealing	Daily
Subscriptions	T-1
Redemptions	T-1
Entry/Exit Charge	None
Redemption Fee	None

Reference Share Class Details

Share Class	A1 USD (Acc)
Management Fee	1.00% p.a.
Performance Fee	10% over 3M LIBOR
Min Investment	\$250,000
ISIN	IE00B2PLHH71
Bloomberg	SALFUNA ID

Fund Characteristics¹

No. of Positions²	109
Current Yield	0.72%
Average Premium	43.89%
Average Delta	35.29%
Average Life	1.9 years
No. Long CB Positions²	81
Weighted Average Carbon Intensity³	101

Third Parties

Administrator	BNP Paribas Fund Administration (Ireland) Limited
Depository	BNP Paribas Securities Services, Dublin Branch
Auditor	Ernst & Young

Risk and Reward Profile

1	2	3	4	5	6	7
Lower Risk				Higher Risk		

The Fund is categorised as 4 for the purposes of this table due to investments in convertible bonds and use of derivatives.

Description

Salar is a long-only convertible bond fund managed with an absolute return mentality. It is designed to generate capital growth while seeking to preserve capital through the careful selection of convertible bonds near their bond floor where the underlying equity has potential for price appreciation.

Key Advantages for the Investor

- Capital preservation: Strong focus on credit quality to support downside protection
- Risk-adjusted returns: Positions sought with limited downside risk and strong upside potential
- Enhanced asymmetry: Selection of bonds that rapidly gain positive equity exposure in rising markets but shed it quickly as equities fall
- Diversification: Equity exposure should make the Fund's performance negatively correlated with bond markets, while asymmetry/risk profile should make it less correlated to equities

Trailing Net Performance⁴

Past performance does not predict future returns.

1 Month (%)	Year-to-date (%)	1 Year (%)	3 Year (Ann %)	5 Year (Ann %)	Since Inception (Ann %)	NAV/Share
2.28	(4.13)	(3.96)	3.22	2.63	3.97	175.30

Monthly Net Performance (%)⁴

Past performance does not predict future returns.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	(1.40)	(0.52)	1.03	(1.42)	(1.27)	(2.81)	2.28						(4.13)
2021	0.76	1.28	0.03	(0.04)	(0.47)	0.13	(0.79)	0.45	(0.16)	0.43	(1.45)	0.92	1.06
2020	(0.96)	(2.59)	(6.97)	4.45	2.23	1.87	1.45	3.06	0.27	0.24	4.57	2.29	9.74
2019	2.61	1.40	0.13	1.22	(1.84)	1.20	0.58	(1.10)	1.02	1.25	1.06	1.17	8.97
2018	0.97	(0.57)	(0.36)	0.97	(0.62)	(0.31)	0.41	0.40	0.58	(2.02)	0.42	(2.27)	(2.44)
2017	0.27	1.00	(0.23)	0.83	0.50	(0.16)	0.46	(0.30)	0.51	1.12	(0.03)	(0.53)	3.46

Please contact CQS for full performance since inception.

Fund Commentary⁵

What happened in the Market?

What a change from the previous 6 months, with the Nasdaq having its best July ever, up 12.3%, and the S&P its best July since 1939, up 9.1%. Europe was also strong, with the Eurostoxx up 7.3% and the DAX up 5.5%. Asia saw weaker performance, with the Topix up 3.7% and the Hang Seng down 7.8%. Bond markets rallied as rates fell and credit spreads tightened.

In this context, the Refinitiv index had its first up month of the year (+4.24%), reducing its year-to-date (YTD) loss to -14.33%. Salar gained 2.28%, taking YTD performance to -4.13%.

As it often happens but is rarely anticipated, there was a significant bear market rally: despite evidence of a slowing economy and inflation hitting 40-year highs - and rising -, markets seemed confident that the war against inflation will be over by Christmas and that interest rates will start to fall by next summer. Negative sentiment and positioning exacerbated the move as risk assets led by growth stocks and High Yield bonds rallied hard. This was more evident in the US than in Europe, which initially sold off on concerns about gas supply, but it later joined the general rally – for instance, Europe's High Yield Crossover index initially widened from 580 to 630 basis points (bps), before rallying to close 70 bps tighter. Its US equivalent didn't widen and ended July 110bp tighter.

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.

What happened in the Fund?

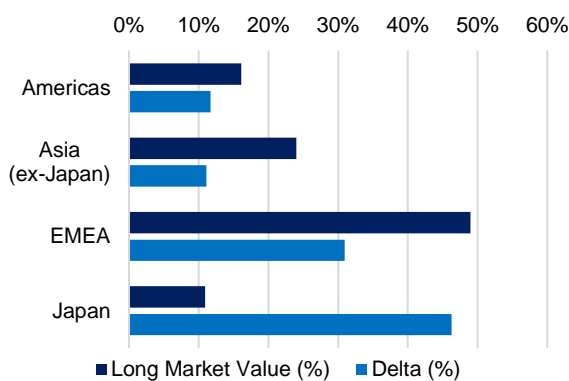
Salar underperformed the index in July as risk assets rallied most and also because of our overweight allocation in Asia relative to the US; the Fund, however, is still 10% ahead of the benchmark YTD. The index particularly benefited from the French government’s takeover of EDF, one of the index’s heavyweights, as the stock rallied 52% in July and there was a small takeover premium. For Salar, and regionally, Europe was the strongest performer, up 130bps, followed by the US, up 75bp, and Japan, up 40bp. Asia (ex-Japan) was down 17bps. There were six positions that made more than 10bp, including three that we initiated in Europe last month: Be Semiconductor, Cellnex and Nexi (as we used the gamma to add risk). The other three were LVMH, Diasorin and Ford (top performer at 17bp).

What is the outlook?

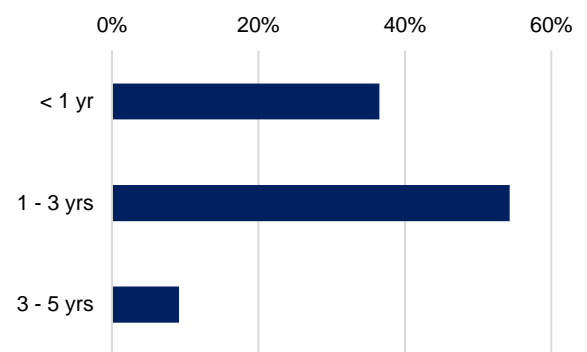
Convertibles initially stabilised and then rallied, but underperformed the underlying moves in equity and credit and remain cheap to fair value. A BofA survey said for the first time since 2020 respondents believed that Convertibles were cheap in all regions. Issuance was again desultory with one of the lowest issuance months ever: YTD we are approximately at \$12bn v over \$100bn at this point last year. However, the BofA survey signalled expectations for new issuance at the highest in 2 years, on hopes that sustained stability will get issuers back to market at the same time that investor cash levels are high. Salar has done a reasonable job of protecting capital on the way down due to its defensive nature, but the Fund continues to actively rotate the portfolio and is well positioned to take advantage of any prolonged recovery should this prove to be more than a bear market rally.

Portfolio Analysis⁶

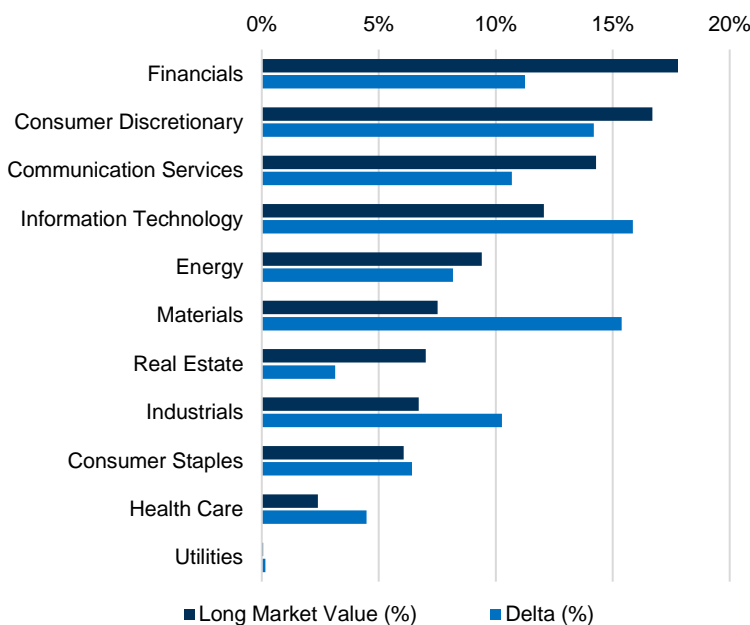
Regional Exposure



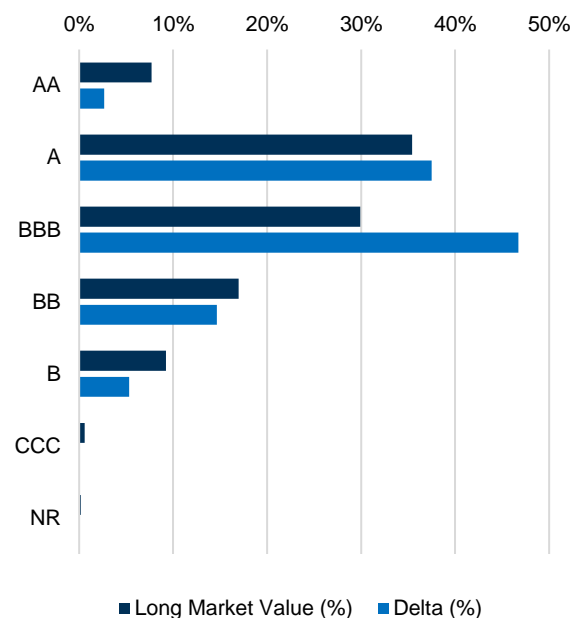
Duration⁷



Sector Exposure



Credit Rating (Proxy)⁸



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.

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.

Important Information

The Fund was incorporated in Ireland on 27 November 2007 as an investment company with variable capital with limited liability under registration number 449784. The Fund is authorised by the Central Bank as a UCITS pursuant to the UCITS Regulations.

Source: CQS and BNP Paribas Fund Administration Services (Ireland) Limited as at 31 July 2022.

The Fund is registered in the following countries: Austria, France, Germany, Italy, Spain, Sweden, United Kingdom.

¹Excludes investments in other CQS-managed Funds, Futures and Interest Rate Swaps.

²Excludes positions with zero market value.

³Weighted Average Carbon Intensity (WACI, tonnes/\$m revenue) estimated using Scope 1 and 2 available disclosures and MSCI sub-industry proxy estimates.

⁴Performance represents the Class A1 USD Shares (Acc) net of fees, expenses and transaction costs from inception of this class to the present date. Investors should refer to each specific share class for the actual historical performance of the relevant class. This factsheet includes historic returns and past performance is not a reliable indicator of future results. The value of investments can go down as well as up.

⁵The Fund may have since exited some or all of the positions detailed in this commentary. Includes data sourced from Bloomberg.

⁶Delta of each instrument weighted according to its market value.

⁷Only includes Convertibles.

⁸Cash is rated according to the issuer rating of the custodian bank.

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PRI Note:

PRI is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMv10.

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CQS (UK) LLP

4th Floor, One Strand, London WC2N 5HR, United Kingdom
T: +44 (0) 20 7201 6900 | F: +44 (0) 20 7201 1200

CQS (US), LLC

152 West 57th Street, 40th Floor, New York, NY 10019, US
T: +1 212 259 2900 | F: +1 212 259 2699

CQS (Hong Kong) Limited

1308 One Exchange Square, 8 Connaught Place, Central, Hong Kong, China
T: +852 3920 8600 | F: +852 2521 3189

CQSClientServices@cqsm.com | www.cqs.com



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