Marketing Communication

Monthly Factsheet

30 June 2022

Salar Fund PLC

Key Fund Information	
Investment Manager	CQS (UK) LLP
Portfolio Manager	Rupert Mathews
Fund Launch Date	11 February 2008
Fund Size	$151.3m
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 Characteristics[1]	
No. of Positions[2]	106
Current Yield	0.70%
Average Premium	44.84%
Average Delta	29.78%
Average Life	1.7 years
No. Long CB Positions[2]	80
Weighted Average Carbon Intensity[3]	110

Third Parties	
Administrator	BNP Paribas Fund Administration (Ireland) Limited
Depositary	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.

Investment Objective

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

- 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 Performance[4]

Past performance does not predict future returns.

1 Month (%)	Year-to-date (%)	1 Year (%)	3 Year (Ann %)	5 Year (Ann %)	10 Year (Ann %)	Since Inception (Ann %)	NAV/Share
(2.81)	(6.26)	(6.84)	2.64	2.27	4.32	3.83	171.39

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)							**(6.26)**
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 Commentary[5]

In what has been a rough first half of the year for financial markets, with many equity indices entering bear market territory, June was perhaps the toughest month so far with most developed markets down 10% on the month. According to Deutsche Bank, it was the worst first half for equity markets since 1970, and for bond markets, their worst start since 1788.

Asia was a significant outperformer with the Hang Seng up 3.5%, whilst the Nikkei was down only 3.6%, contrasting with S&P down 9.0%, Nasdaq down 9.1% and Euro Stoxx down 10.1%. In this context, unsurprisingly convertibles were also down with Salar losing 2.81%, taking it to down 6.26% on the year, whilst the refinitiv index was down 4.53%, taking it to down 17.26% on the year.

Ukraine continued to take a back seat as far as markets were concerned, as they focused on the twin concerns of recession and inflation. This could be seen in some dramatic moves in bond markets with both rates higher on inflation worries and spreads widening on recessionary ones: iTraxx Xover was nearly 40% wider on the month at 580bps having started the year at just over 240bps. This understandably fed through into equity markets with the MSCI index now down over 20% on the year, along with most developed markets, and Nasdaq down nearly 30%. The moves in credit being that much more extreme than rates, particularly in the High Yield space, suggests that for now recession is the main concern; although that has yet to feed through into earnings expectations, resulting in significant P/E compression.

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.

Salar outperformed the index for the eighth month in a row as markets continued to be risk-off; this month relatively benefiting from the Fund's higher exposure to Asia. It did however get hurt on its larger exposure to Europe which experienced some severe valuation cheapening throughout the course of the month, as well as credit in Europe significantly underperforming the US. This was reflected in the regional contributions, with Asia and Japan flat on the month, the US down 70bps and Europe down 2.1%. There were no standout losses, with the worst being 15bps (GBL), it was the breadth with every name in Europe being down in June.

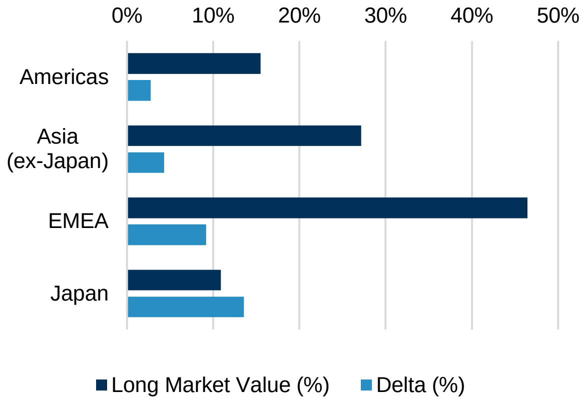
Convertible valuations continued to cheapen with Europe particularly hard hit in June and, from a historic perspective, all regions are at valuation levels which have produced strong future returns relative to other asset classes. We have continued to add risk this month, primarily in Europe, whist reducing our Asian exposure. Overall, we continue to remain defensive, maintaining short duration and adding primarily equity rather than credit risk.

Issuance in the first half of the year was only $11bn, the lowest in over 20 years with BofA Global Research revising down their annual issuance forecast to $45-55bn.

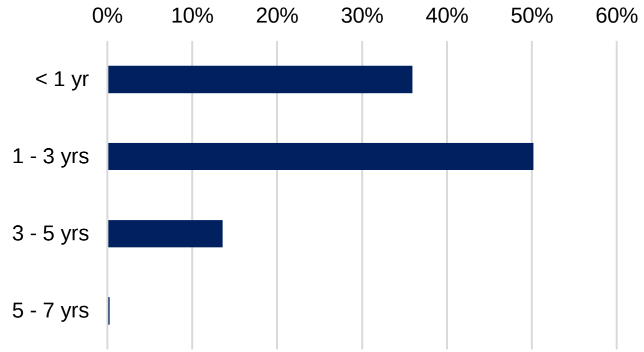
Whilst markets are clearly volatile and the future direction unclear, the repricing downwards of all the elements of a convertible - equity, rates, credit, and volatility - make them a very attractively priced asset class in our opinion, quickly benefitting from any upturn whilst being more defensive should markets continue to sell-off.

Portfolio Analysis[6]

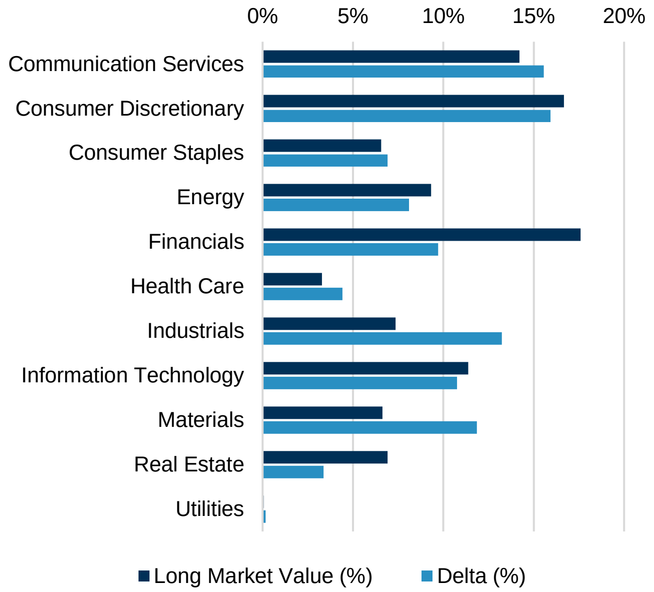
Regional Exposure



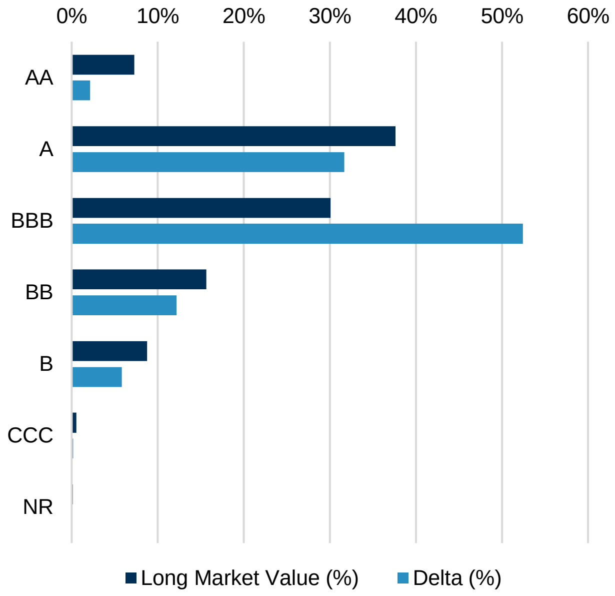
Duration[7]



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.

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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 30 June 2022.

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

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

[2]Excludes positions with zero market value.

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

[4]Performance 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.

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

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

[7]Only includes Convertibles.

[8]Cash 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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