

February 2023

Salar Fund

Key Fund Information	
Investment Manager	CQS (UK) LLP
Portfolio Managers	Rupert Mathews and Robert Coe
Fund Launch Date	11 February 2008 ***
Fund Size	\$124.7m
NAV	\$185.32 Class A1 USD Shares (Acc.) net.
Legal Structure	UCITS
Domicile	Ireland
SFDR	Article 8
Reference Currency	USD
Share Classes	USD, GBP, EUR
UK Reporting Status	Available for selected share classes
Income Available	Available for selected share classes
Dealing	2 days
Subscriptions	T-2
Redemptions	T-2
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	87
Average Current Yield	1.07%
Average Premium	49.49%
Average Delta	33.35%
Average Life	1.7 years
No. Long CB Positions	65
Weighted Average Carbon Intensity	195

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.

The Salar Fund has outperformed the Refinitiv Global Focus Hedged Convertible Bond Index over its 1, 3 and 5-year periods, with less volatility

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 upside potential
- Enhanced asymmetry: Selection of bonds that rapidly gain positive equity exposure in rising markets but shed it quickly as equities fall
- The Fund is classified as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR)

Trailing Net Performance⁴

Past performance does not predict future returns.

	Salar Fund *	Refinitiv Global Focus Hedged Convertible Bond Index (USD) **	Outperformance
1 Year	3.33%	-8.37%	11.70%
3 Years (Annualised)	5.23%	1.41%	3.82%
5 Years (Annualised)	3.54%	2.58%	0.96%
Since Inception (Cumulative)	123.00%	101.46%	21.55%
Since Inception (Annualised)	4.76%	4.14%	0.62%
Annualised Volatility (1 year)	7.42%	12.48%	-5.06%
Annualised Volatility (3 years)	7.58%	12.16%	-4.58%
Annualised Volatility (5 years)	6.54%	10.10%	-3.57%

Monthly Net Performance (%)⁴

Past performance does not predict future returns.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	2.83	(0.10)											2.73
2022	1.40	(0.52)	1.03	(1.42)	(1.27)	(2.81)	2.28	1.65	(3.14)	1.28	3.38	(0.18)	(1.34)
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.

The value of securities may go down as well as up, depending on the performance of companies and general market conditions. * Source: CQS as at the last business day of the month at the top of this report. Please note, the CQS Salar Strategy Index USD is a theoretical, non-investable share class. It is made up of a series of share classes in order to demonstrate the longest consistently available track record for the Strategy. Returns are represented by the Salar Strategy Index USD: since inception 30 November 2005 to 10 February 2008, returns are the Salar Fund A USD share class; 11 February 2008 to the present date, returns are the CQS Salar Fund (UCITS) A1 USD share class. Since 11 February 2008, the Strategy has followed the Undertakings for Collective Investment in Transferable Securities Directive (UCITS). The investment process and team have remained substantially the same for the life of the Strategy. Returns are net of fees, expenses and transaction costs. Investors should refer to each specific share class for the actual historical performance of the relevant class. **This document includes historic returns and past performance is not a reliable indicator of future results.** ** The Refinitiv Global Focused Hedged Convertible Bond Index (USD) is used as a broad asset class reference, as the Fund is actively managed, and not managed with reference to a benchmark. *** Fund launched as an Irish PLC in 2008 and, following a corporate action in September 2022 converted onto CQS' existing UCITS plc umbrella platform.

Fund Commentary⁵

Market

After a strong start to the year, February saw materially high bond yields and a decline in equity markets, reversing much of January's gains. Whilst improving economic data helped lift the near-term global economic outlook, it also led investors to reassess the expected peak for interest rates and the pace of cuts thereafter. It seems increasingly clear that despite recent energy price falls, inflation remains too high and that central banks' job is not yet done, with the road to target inflation likely to be longer than previously hoped. Equity falls were most prominently felt in Hong Kong and China, with the Hang Seng Index falling -9.4% in February; escalating geopolitical tensions drove profit-taking, leaving the index flat year-to-date (YTD), after having been up +15% in late January. Elsewhere, stocks fell in the US, led by the S&P500 Index' 2.6% drop and Nasdaq's 1.1% fall, both of which are now off 5% from their YTD highs. As recession fears subside, Europe managed to be the bright spot from an equity perspective, with the Eurostoxx 50 Index rising +1.8% and pushing its YTD performance to nearly +12%. Japan' Nikkei added 0.4% and the Topix, 0.9%. Overall, the MSCI World Index lost 3% in February. Credit markets remained fairly resilient, with spreads in the High Yield XOVER and Investment Grade (IG) indices almost flat on the month, after the tightening seen in January. The bond market saw some of the largest down moves, with 5-year rates in the Euro area and the US rising sharply and pushing bond prices down approx. 2.25pts and 2.75pts respectively.

Performance & Positioning

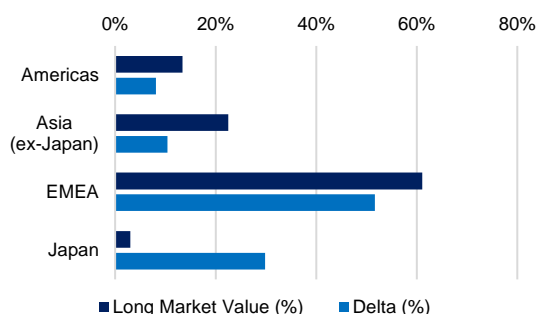
Given this weak backdrop, the Salar Fund did well being almost flat in February, ending the month 0.1% lower. The Refinitiv Focus Index lost 2.06%. This leaves Salar +2.73% YTD in 2023, slightly ahead of the reference index, which is up 2.61%. Regional performance was offset with Europe and Japan gaining versus small losses in the US and Asia. Only three positions contributed or lost more than 10 basis points (bps) on the month, with U.S. Akamai dropping 13bps; we used the weakness to add to the firm's short-dated 2025 CB. The Fund posted gains in Citigroup/Telekom Austria +12bps and Nippon Steel in Japan +11bps.

Positioning

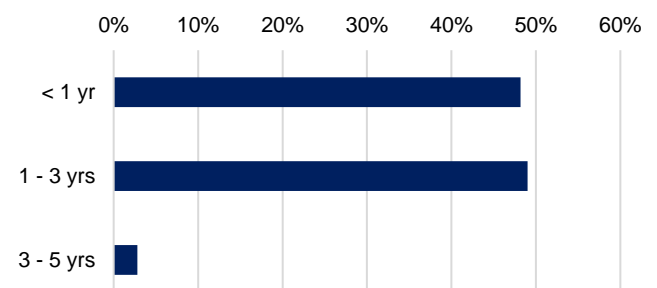
New issuance picked up significantly in February, something we have highlighted in previous newsletters, with approximately \$11bn of new paper coming to the market (and over \$6bn just last week), the majority of which was out of the US. It was the busiest issuance month since November 2021. Some interesting highlights include IG-rated high bond floor Energy sector deals in the US; in Europe, another new Delivery Hero issue alongside a tender for its bonds we owned; and an interesting IG-rated exchangeable into Heineken Holdings. Convertible valuations were soft overall last month as increased supply and expectations of a healthier primary calendar cheapened up the secondary market, an opportunity we are keeping a close eye on as it develops. Given MSCI World Equities are still up nearly +4% YTD, even after February's falls, it shows how Salar's positioning enables it to still perform on the upside whilst keeping a strong downside defensive protection. The Fund's focus on short-duration paper also helped Salar outperform the sharp bond market drop in February. Using the convexity in the Fund to sell risk into strength in January benefitted us and we have been carefully adding back attractive bonds including well-priced new issues as the market has sold off. We believe we are likely to see more volatility in markets due to the ongoing uncertainty about the trajectory of inflation and interest rates and this should continue to help Salar through its high asymmetry and high-quality credit focus.

Portfolio Analysis⁶

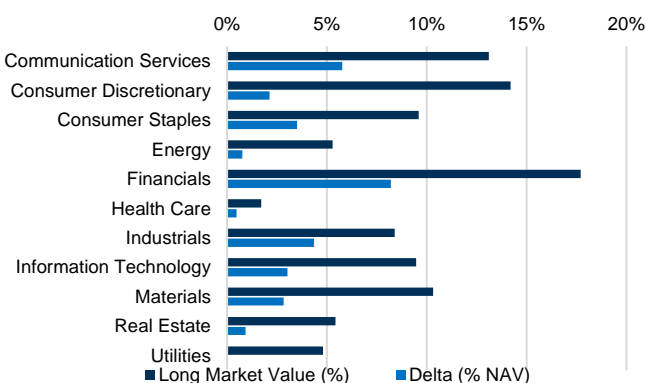
Regional Exposure



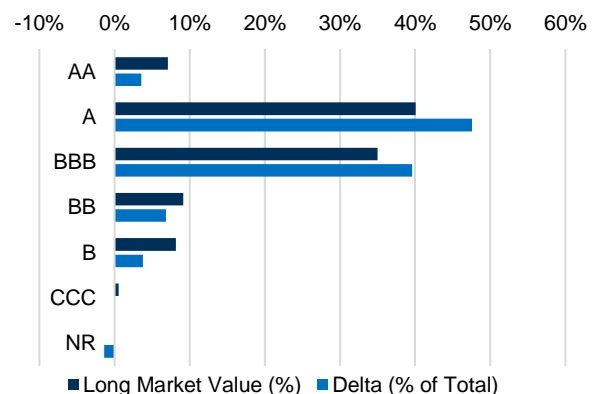
Duration⁷



Sector Exposure



Credit Rating (Proxy)⁸

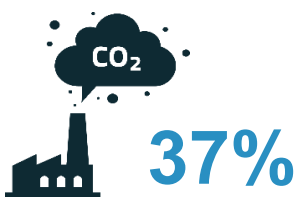


There is no guarantee that the Fund will invest in this way at all or do so in the same manner as set forth in this factsheet. Figures may not sum to 100 due to rounding. The value of securities may go down as well as up, depending on the performance of companies and general market conditions. The value 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.

On 14 November 2022, the Salar Fund became classified as Article 8 under the EU Sustainable Finance Disclosure Regulation. The Fund seeks to promote certain environmental and social characteristics, which consist of (i) restricting investment in thermal coal and oil sands; (ii) restricting investment in certain industries considered to be socially harmful; and (iii) not facilitating investment in controversial weapons.

Weighted Average Carbon Intensity (t/\$m Sales)³

195 Fund
308 Refinitiv Global Focus Convertible Index



Lower carbon emission intensity than investing in the broader universe

54%

Decarbonisation of the portfolio's scope 1 and 2 weighted average carbon intensity relative to the 31 January 2021 baseline of 428. Target is 50% by 2030.

Weighted Average ESG Rating⁹

A

We are a signatory to the Net Zero Asset Managers' initiative

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.



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Commitments

The Fund is committed to delivering:

- No more than 20% in issuers with an ESG rating of B or lower
- A **Net Zero** portfolio by 2050 or sooner
- **Engagement** to drive long-term ESG improvement
- Portfolio Decarbonisation Reference Target: **50% reduction in scope 1 and 2 Weighted Average Carbon Intensity by 2030** (from a 31 December 2019 baseline)
- Engagement Threshold Target: **70% of financed emissions to be either net zero, net zero aligned or subject to direct or collective engagement and stewardship actions by 2025.**

Approach

- Integrated ESG investment process
- Follow the CQS five-stage RI process, with portfolio managers required to consider 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
- Proprietary independent ESG ratings to complement third party data

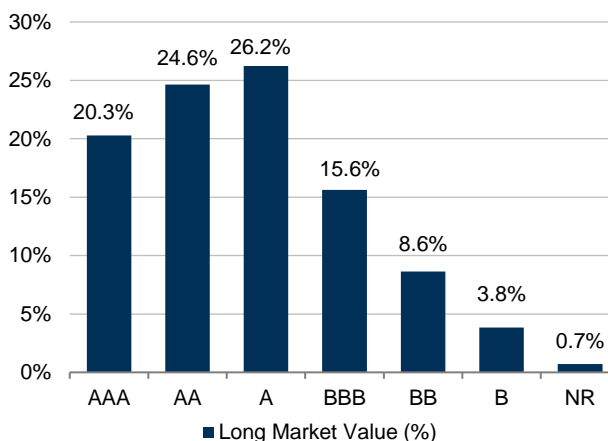
Exclusions

The Fund's portfolio will not include direct investments in any issuer which¹:

- Is involved in the production of controversial weapons
- Derives more than 10% of revenue from tobacco production, adult entertainment or payday lending
- Derives more than 5% of revenue from thermal coal and/or oil sands

The Fund will also not invest in companies that, to the best of its knowledge, are in breach of the Ten Principles of the UN Global Compact.

Fund ESG Rating Breakdown⁹



Important Information

The CQS Salar Fund is an Article 8 Fund under the EU Sustainable Finance Disclosures Regulation ('SFDR'). This page does not represent the formal limits and/or restrictions set out in the Fund's 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.

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.

Overall Fund data source: CQS and BNP Paribas Fund Administration Services (Ireland) Limited as at the last business day of the month indicated at the top of page 1.

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") 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.

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.

⁹ 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 ratings are not an opinion of the creditworthiness of any issuer. ESG rating breakdown is calculated based on percentage of assets (excluding cash) 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. Reference index is the Refinitiv Global Focus Convertible Index.

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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