

Investor
ReportMarch 2024
Salar Fund

Key Fund Information	
Investment Manager	CQS (UK) LLP
Portfolio Manager	Robert Coe
Fund Launch Date *	11 February 2008
Fund Size	\$83.5m
NAV Per Share	199.45 (Class A1 USD)
Legal Structure	UCITS
Domicile	Ireland
SFDR	Article 8
Reference Currency	USD
Share Classes	USD, GBP, EUR, CHF
ISIN	A1 USD IE00B2PLHH71 C1 EUR D Inc IE00DY06J66 C1 GBP D Inc IE000FJXQWQ6 E1 CHF IE0001K7QFH1 E1 EUR IE00B520F527 E1 EUR D Inc IE00BBR6N535 E1 GBP D Inc IE00BBR6N758 E1 USD IE00B50W0L11 E2 EUR IE00B520G822 E2 USD IE00B51ZK080 E3 EUR IE00B50VYD81
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	77
Weighted Portfolio Yield ³	4.0%
Current Yield	2.0%
Average Premium	58.6%
Average Delta	37.6%
Average Life (years)	1.81
Weighted Av. Rating	BBB+
Weighted Average Carbon Intensity ⁴	183
Average ESG Rating ⁵	A
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 3 and 5-year periods, and since inception, with significantly 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 Performance⁶

Past performance does not predict future returns.

	Salar Fund ***	Refinitiv Global Focus Hedged Convertible Bond Index (USD) **	Outperformance
1 Year Return	6.91	7.88	(0.96)
3 Year Return Annualised	2.59	(2.94)	5.54
5 Year Return Annualised	4.82	3.74	1.07
SI Return	140.00	118.04	21.97
SI Return Annualised	4.89	4.34	0.55
Annualised Volatility (1 year)	3.16	9.78	(6.62)
Annualised Volatility (3 year)	4.88	9.79	(4.90)
Annualised Volatility (5 year)	6.36	10.61	(4.25)

Monthly Net Performance (%)⁶

Past performance does not predict future returns. Returns are Class A1 USD.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2024	0.25	1.45	1.33	-	-	-	-	-	-	-	-	-	3.06
2023	2.83	(0.10)	0.66	0.21	(0.10)	1.55	0.82	(0.68)	(0.30)	(0.76)	1.88	1.11	7.28
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)

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. * Fund launched as an Irish PLC in 2008 and, following a corporate action in September 2022 converted onto CQS' existing UCITS plc umbrella platform. ** Source: Bloomberg. 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. *** Source: CQS. 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.

Fund Commentary⁷

Global equities continued their impressive, albeit narrow, rally in March helped again by resilient data in the US and positive macroeconomic data globally, which further supported the prospect of a 'soft-landing'. With the US Federal Reserve somewhat back-peddling on December's dovish tone it was a trickier Q1 for fixed income, although March did see small gains after February's sell-off. In Japan, the Bank of Japan normalised its monetary policy with the end of negative rates, a process that is expected to be gradual and remain accommodative for some time.

Stock gains in March were broad on a regional basis, led by the Eurostoxx up +4.2% and followed by the US with the S&P 500 up +3.1% and the Nasdaq up +1.8%. The smaller/mid-cap Russell 2000 Index had another strong month gaining +3.4%. Japan was similar with the Nikkei 225 up +3.1% while in Asia-ex Japan we saw the tech-heavy Taiwan Index rally +7%, while markets in Hong Kong and China closed flat on the month after a strong bounce in February. Overall, MSCI World equities were up +2.9% in March. Away from equities, credit was tighter with 5yr XOVER -8bps to 297 and 5yr Investment Grade -1bps to 54 while the bond market made small gains with 5yr US Treasuries +0.2pt, the 5yr German Bund +0.6pt and the 5yr UK Gilt +1.1pt on the month. The VIX Index (a popular measure of expected volatility) again ticked marginally lower on the month.

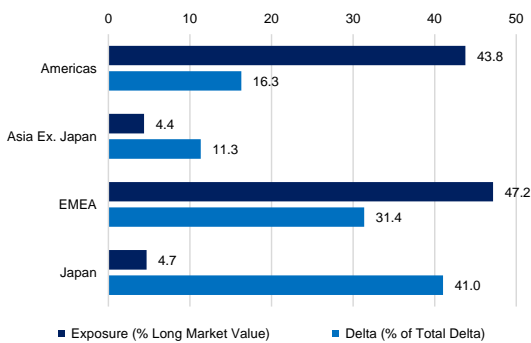
Salar Fund returned +1.33% in March which leaves it currently +3.06% year-to-date (versus the Refinitiv Focus Index up +1.84% in March and up +1.13% year-to-date). Salar Fund has therefore outperformed the Refinitiv Focus Index by +1.93% year-to-date. The Fund gained income from all regions in March led by Europe (+0.55%), followed by the US (+0.31%), Japan (+0.25%), and Asia-ex (+0.22%). On the month, 3 names contributed more than 10bps to performance (1 Japanese, 1 European and 1 US) while there were no names that cost Salar Fund more than -8bps on the month. Year-to-date there have been 19 names that contributed 10bps or more to performance but none that cost 10bps or more. We took advantage of strong underlying equities by taking some profits in names that had done well, closing out a position in Saipem (+35% in March) and taking gradual profits on names like Dexcom (+21% in March) and Daifuku (+27% year-to-date). We started 3 new positions in the US (AKAM, ON and NICE) and generally looked to slowly rebalance the portfolio into the strength.

The primary market had another very busy month in March with around \$11bn of new issuance. It was the busiest quarter for issuance since Q1 2021. Names coming to the CB market in March included Microstrategy, Xerox, Coinbase, SoFi, Rexford Industrial (US) and Infronteer (Japan). Convertible volumes remain very healthy with CB liquidity breaking records again. It was the busiest month ever and busiest quarter ever on TRACE (over-the-counter transactions monitor - commencing 2005).

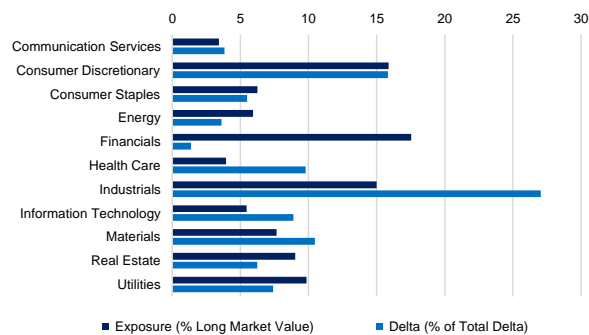
While it's certainly been a good start to the year for global stock markets, there has also been a further narrowing of gains in the mega-cap growth space. This is leading to increasing concerns over concentration risk, particularly in the US market, and is making Europe and Japan even more appealing. Markets do appear increasingly priced for perfection here and do not feel immune to some profit-taking. Having an allocation to Salar Fund with its focus on protecting capital whilst offering real upside through high convexity, we believe, is an excellent way to achieve much better risk-adjusted returns, especially with convertibles being such an attractive asset-class here.

Portfolio Analysis

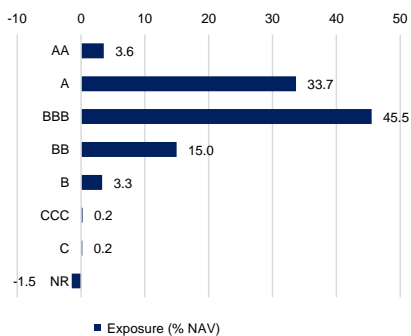
Regional Exposure



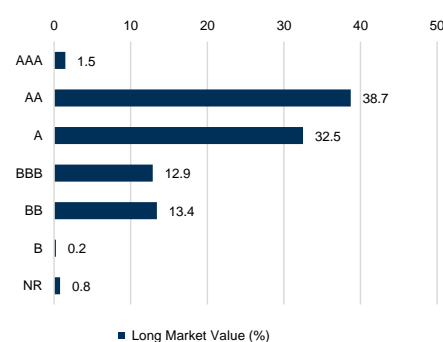
Sector Exposure



Credit Rating (Proxy)⁸



ESG Rating Breakdown^{5,9}



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:

Sources: CQS as at 28 March 2024.

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.

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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.

¹Excludes investments in Futures and Interest Rate Swaps.

²Excludes positions with zero market value.

³Total Portfolio Yield to Maturity is the total unannualised unrealised yield the Fund will achieve when the positions are held to maturity and is calculated as: Yield to Maturity x Time to Maturity x %NAV. Distressed positions are excluded. Positions with YTM >20%, will be capped at 20%.

⁴Weighted 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. Where MSCI data is stale or the proxy estimate is not an appropriate reflection of the issuer, we may implement a carbon emission override to report an issuer's most recent publicly available carbon data or use a more appropriate comparator (using MSCI data) as a proxy estimate. Please note that the WACI score does not include hedges for efficient portfolio management purposes.

⁵ESG 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 Analysis: MSCI ESG Research LLC. Please see MSCI Disclaimer at the end of this report.

⁶Returns 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 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. The value of investments can go down as well as up.

⁷The Fund may have since exited some or all of the positions detailed in this commentary. Includes data sourced from Bloomberg.

⁸Credit Rating: Positions, including Cash, are weighted according to market value and internal credit ratings are used where externally sourced credit ratings are not available. Cash is rated according to the rating of the custodian bank.

⁹ESG ratings may not sum to 100% due to rounding.

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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PRI Note: PRI is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMv11.

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Sustainability Risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. G1192460 / 03.24

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,
USA
T: +1 212 259 2900
F: +1 212 259 2699

CQSClientServices@cqsm.com

www.cqs.com

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