

May 2023

Salar Fund

Key Fund Information	
Investment Manager	CQS (UK) LLP
Portfolio Managers	Robert Coe
Fund Launch Date	11 February 2008 ***
Fund Size	\$118.8m
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
Weighted Portfolio Yield ³	4.4%
Average Premium	56.8%
Average Delta	30.2%
Average Life	1.5 years
Weighted Av. Rating	BBB+
Weighted Average Carbon Intensity ⁴	204
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 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 Performance⁶

Past performance does not predict future returns.

	Salar Fund *	Refinitiv Global Focus Hedged Convertible Bond Index (USD) **	Outperformance
1 Year	5.90%	(0.76%)	6.65%
3 Years (Annualised)	5.73%	0.62%	5.11%
5 Years (Annualised)	3.71%	2.49%	1.21%
Since Inception (Cumulative)	124.73%	100.56%	24.17%
Since Inception (Annualised)	4.74%	4.06%	0.68%
Annualised Volatility (1 year)	6.96%	11.38%	(4.43%)
Annualised Volatility (3 years)	5.67%	9.90%	(4.24%)
Annualised Volatility (5 years)	6.51%	10.11%	(3.59%)

Monthly Net Performance (%)⁶

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)	0.66	0.21	(0.10)								3.53
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.** ** 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. *** 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 Commentary⁷

Market

May was a mixed month for equity returns with headwinds from the US debt ceiling impasse, another US regional bank failure in First Republic Bank and continued rate hikes from all major central banks.

Against this, macroeconomic data remained resilient with US employment falling to a 53 year low at 3.4% and somewhat stronger-than-expected auto sales and housing starts, suggesting that real GDP is continuing to grow in the second quarter.

However, these factors alongside core inflation remaining well above target has increased expectations that further rate hikes may be required.

Where there was strength in certain equity indices in May it was highly concentrated in some particular thematic large-cap stocks (AI related Nvidia +36% in May), leading to incredibly poor breadth. The outperformance of the market-cap weighted S&P 500 versus the equal-weighted S&P 500 is the largest this century and this issue of breadth is well-reflected in regional index performance. The NASDAQ rose +5.8% over the month, however the S&P 500 was flat and the Russell 2000 was actually down -1.1%.

In Europe, Eurostoxx fell -3.2% and in the UK the energy heavy FTSE 100 slipped -5.4%. In Asia, Hong Kong's Hang Seng was down -8.3%, China (CSI 300) fell -5.7% while the tech chip-heavy index in Taiwan actually gained +6.4%. Japan continued to be a bright spot with the Topix returning +3.6% and the Nikkei +7.0% on increasing optimism that Japan is on the way out of the deflationary stagnation of the past. Away from equities, credit was flat to marginally tighter in May looking across both Crossover and Investment Grade (IG) while the bond market was generally weaker with the US Treasuries 5yr -1.4pts, UK Gilt 5yr -2.5pts and the 5yr German Bobl flat.

Performance and Issuance

The Salar Fund returned -0.10% in May which brings calendar year-to-date returns to +3.53% (versus the Refinitiv Focus Index +0.24% in May and +2.16% year-to-date). Europe was the only drag on monthly performance (-0.40%) while all other regions were small positives. Two positions accounted for +10bps or more of positive performance (SK Hynix and Akamai Technologies) while no positions cost the fund more than -8bps on the month. In fact, year-to-date in the Salar Fund there has not been any position that has cost the fund more than -10bps while there have been 16 positions that have contributed more than +10bps. The 'Growth over Value' theme in May (the strongest month for growth strategies since Q1 09) was certainly a headwind for Salar given its more defensive positioning while it was disappointing that Japan, where we are overweight delta, has not added more performance both in May and the year so far. It should be noted that implied volatilities in Japanese convertibles are currently at 10yr+ lows (Japanese CBs have cheapened in 2023) and the convexity at this inflection point has rarely been so attractive in our opinion. We believe the Fund is well positioned to benefit from continued positivity in the region.

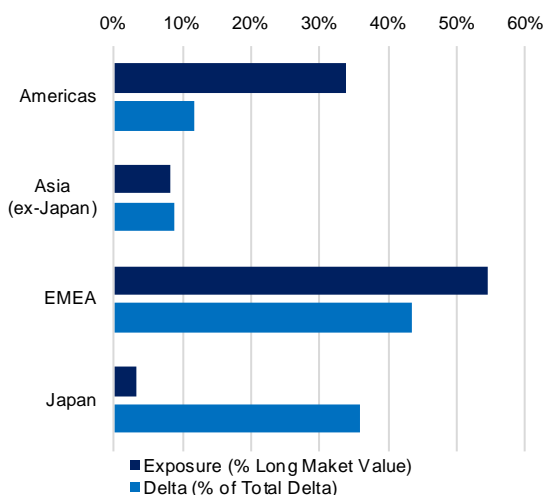
New issuance remained robust in May with most of the new paper in the US (eg. Wayfair, Dexcom and Welltower) but also a couple of European deals from repeat issuers, Meyer Burger and Swiss Prime. While year-to-date global convertible issuance is significantly ahead of this time last year, we still have plenty of scope for a busier end to the year when one looks to historical run rates.

Outlook

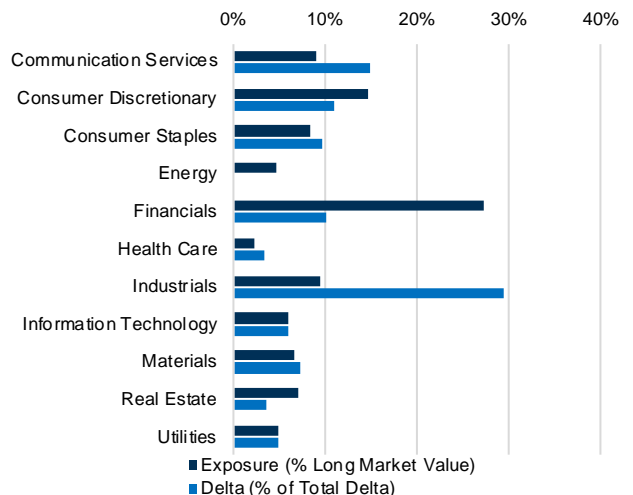
We believe the movements in markets and the cheapening of convertibles especially in Europe and Japan have created significant opportunities. The Salar Fund has used the high convexity in the portfolio to selectively add delta via attractive new and existing names in May and continues its long history of identifying what we believe are the best convertibles to both protect capital and provide upside.

Portfolio Analysis

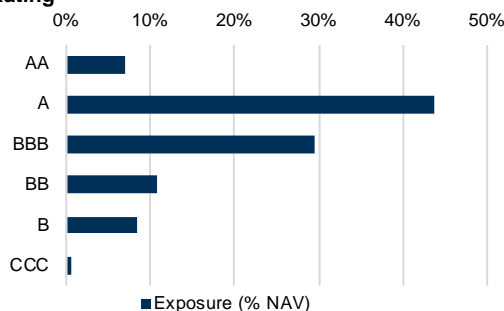
Regional Exposure



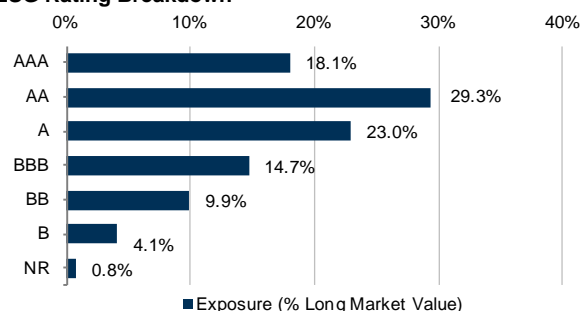
Sector Exposure



Credit Rating⁸



ESG Rating Breakdown⁹



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 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.

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

²Excludes positions with zero market value.

³Total Portfolio Yield to Maturity is the 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.

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. 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 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.

⁶Performance 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.

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

⁸Average Credit Rating: Positions, including Cash, are weighted according to market value and internal credit ratings are used where externally sourced credit ratings are not available.

⁹ESG ratings may not sum to 100% due to rounding. 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 Analysis: MSCI ESG Research LLC. Please see MSCI Disclaimer at the end of this report.

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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