

Investor Report

September 2024

Salar Fund

Key Fund Information	
Investment Manager	CQS (UK) LLP
Portfolio Manager	Robert Coe
Fund Launch Date *	11 February 2008
Fund Size	\$77.7m
NAV Per Share	205.07 (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 IE000DY06J66 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	1.5%
Current Yield	1.1%
Average Premium	62.4%
Average Delta	42.2%
Average Life (years)	1.75
Weighted Av. Rating	BBB
Weighted Average Carbon Intensity ⁴	163
Average ESG Rating ⁵	A
Third Parties	
Administrator	BNP Paribas Fund Administration (Ireland) Limited
Depository	BNP Paribas Securities Services, Dublin Branch
Auditor	Ernst & Young

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 Performance (%)⁶

Past performance does not predict future returns.

	Salar Fund ***	Refinitive Global Focus Hedged Convertible Bond Index (USD) **	Outperformance
1 Year Return	8.31	12.86	-4.55
3 Year Return Annualised	3.85	-1.25	5.10
5 Year Return Annualised	5.18	4.62	0.57
SI Return	146.76	129.54	17.22
SI Return Annualised	4.91	4.51	0.40
Annualised Volatility (1 year)	3.34	8.50	5.15
Annualised Volatility (3 year)	5.00	10.03	5.03
Annualised Volatility (5 year)	6.29	10.58	4.29

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	(0.40)	(0.23)	(0.29)	0.63	0.88	2.23				5.97
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.

Risk and Reward Profile						
1	2	3	4	5	6	7
Lower Risk			4	Higher Risk		

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

Fund Commentary⁷

September was another volatile and eventful month. Chinese equities stole the limelight with a raft of new co-ordinated stimulus measures announced by the Chinese government, showing the clearest signal yet that they stand ready to support the economy and the market.

The month started off on a weak note, however with cooling US inflation data and the long-anticipated start of the US Fed's rate cutting cycle with a -50bps cut, the equity rally regained momentum. The combination of the second rate cut from the European Central Bank and the most significant stimulus package announced by the Chinese towards the end of the month, resulted in a strong finish to the quarter. Whilst the Asia (ex-Japan) market was the big standout of the month, European equities conversely were much more muted, as economic data reinforced the sluggish nature of the Eurozone recovery. In Japan, despite a less hawkish tone from Japanese policymakers, the Yen strengthened and equities finished the month lower.

For the first time in a while Chinese stocks led monthly gains with the Chinese CSI 300 up +21% and the Hang Seng Index up +17.5%. In the US, the S&P 500 rose +2.0% and the Nasdaq was up +2.7%, while the small-cap Russell 2000 managed +0.6% on the month. In Europe, the Eurostoxx was up +0.9%, while in Japan the Nikkei 225 fell -1.9% and the Topix was down -2.5%. Overall, the MSCI World Index was up +2% on the month. Away from equities, credit was wider with 5yr XOVER +22bps to 311 and 5yr IG +6bps to 59, while the bond market was better again with the 5yr US Treasury +0.7pt, the German 5yr Bund +1.2pt and the 5yr UK Gilt +0.3pt. Volatility (VIX) rose over the course of the month, reflecting increasingly uncertain times.

Salar returned +2.22% in September which leaves it currently +5.97% year-to-date (versus the Refinitiv Focus Index +3.30% in September and +6.43% year-to-date).

Salar has been recently building positions in what we believe are high quality Chinese convertible names, despite being out of favour, in anticipation of this type of action by the Chinese government, and so it was pleasing to see that working well this month.

In September, Salar's gains came from Asia (+1.57%), the U.S. (+0.45%), and Europe (+0.2%), while Japan was flat on the month despite the index weakness. We had seven names that contributed 10bps or more to performance in September (Ping-An, Alibaba, JD.com, Anta, Bosideng, Senko and ZTO), and no position that cost 10bps or more. Year-to-date, all four regions continue to contribute positively to overall performance.

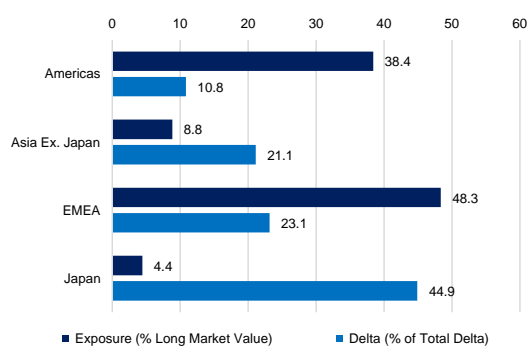
It was a fairly active month trading wise where we initially added to names in Asia including Alibaba, JD.com and a new position in Quanta Computer. We also added new positions in LEG Immobilien and Shaftesbury, which are defensive high quality property names in Europe, with positive yield to swap rate and upside equity optionality. At the end of the month, we sold a small amount in names that had jumped significantly higher including Anta, Ping-An and Bosideng, and we exited Telix Pharma in Australia.

Convertible Bond primary issuance and overall liquidity in the convertible market remained very healthy in September. There was a \$3bn dual tranche deal from new US. Convertible Bond issue Snowflake (data storage/cloud) along with around \$4bn of other US related convertible issuance. In Asia, there was a benchmark \$1bn deal from Quanta Computer, and in Europe there was a convertible refinance deal for ASOS and a new \$500m Qiagen deal. We believe convertible volumes/liquidity remain excellent and at historic levels.

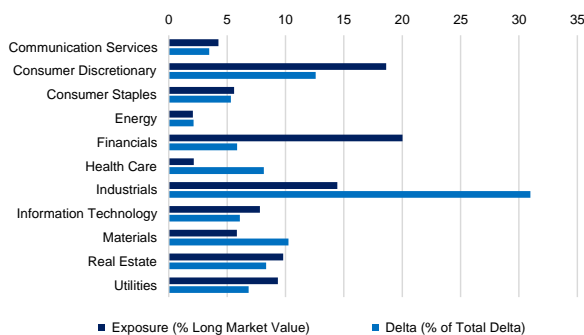
Even though Salar's 'distance to bond floor' remains less than half that of the wider convertible market, with the recent rally the Fund is looking at sensible ways to actively lower that into the strength we have witnessed. Salar's high convexity has helped its delta to be fairly comparable to the wider convertible market, so it's possible to reduce risk whilst still maintaining good upside potential for the Fund. The Fund continues to look for and find attractive convexity in the convertible market, to gradually rotate into some of the winning positions. The Fund remains approximately 85%+ Investment Grade rated. Clearly, the global geopolitical context is still concerning, and we await the outcome of the US elections in November. We believe Salar Fund is ideally placed to deliver strong risk adjusted returns in these uncertain conditions.

Portfolio Analysis

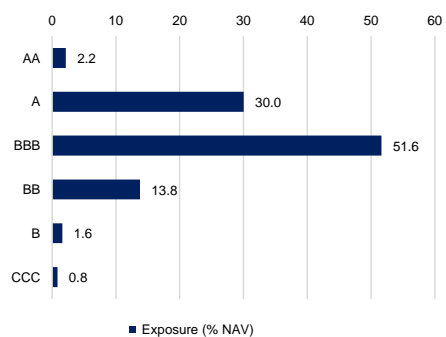
Regional Exposure



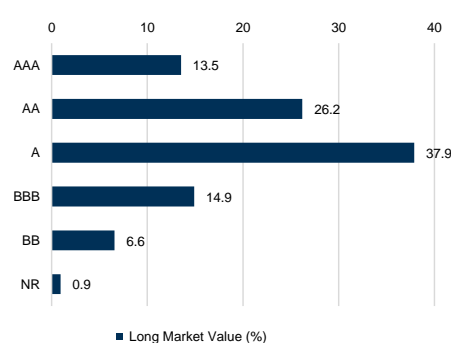
Sector Exposure



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 30 September 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.

¹ Excludes investments in Futures and Interest Rate Swaps.

² Excludes positions with zero market value.

³ Total 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%.

⁴ 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. 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.

⁵ 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.

⁶ 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 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.

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

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

⁹ ESG 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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The offer and the marketing of shares of the Fund in Switzerland will be exclusively made to, and directed at, qualified investors (the "Qualified Investors"), as defined in Article 10(3) and (3ter) of the Swiss Collective Investment Schemes Act ("CISA") and its implementing ordinance, at the exclusion of qualified investors with an opting out pursuant to Art. 5(1) of the Swiss Federal Act on Financial Services FinSA") and without any portfolio management or advisory relationship with a financial intermediary pursuant to Article 10(3ter) CISA ("Excluded Qualified Investors"). Accordingly, the Fund has not been and will not be registered with the Swiss Financial Market Supervisory Authority ("FINMA") and no representative or paying agent have been or will be appointed in Switzerland. This material and/or any other offering or marketing materials relating to the shares of the Fund may be made available in Switzerland solely to Qualified Investors, at the exclusion of Excluded Qualified Investors. The legal documents of the Fund may be obtained free of charge from Citco Fund Services (Ireland) Limited, Custom House Plaza, Block 6, International Financial Services Centre, Dublin 1, Ireland.

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