

Investor
ReportOctober 2023
Salar Fund

Key Fund Information	
Investment Manager	CQS (UK) LLP
Portfolio Manager	Robert Coe
Fund Launch Date *	11 February 2008
Fund Size	\$108.1m
NAV Per Share	187.9 (Class A1 USD)
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	86
Weighted Portfolio Yield ³	6.5%
Current Yield	1.6%
Average Premium	74.3%
Average Delta	28.7%
Average Life (years)	1.72
Weighted Av. Rating	BBB+
Weighted Average Carbon Intensity ⁴	147
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 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 Performance⁶

Past performance does not predict future returns.

	Salar Fund ***	Refinitiv Global Focus Hedged Convertible Bond Index (USD) **	Outperformance
1 Year Return	7.49	2.12	5.37
3 Year Return Annualised	3.57	(2.75)	6.32
5 Year Return Annualised	4.04	2.60	1.43
SI Return	126.10	97.12	28.99
SI Return Annualised	4.66	3.86	0.80
Annualised Volatility (1 year)	4.63	9.72	(5.09)
Annualised Volatility (3 year)	5.48	10.17	(4.69)
Annualised Volatility (5 year)	6.49	10.44	(3.95)

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
2023	2.83	(0.10)	0.66	0.21	(0.10)	1.55	0.82	(0.68)	(0.30)	(0.76)	-	-	4.16
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. * 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

October was another challenging month for equities and bonds with rates and the 'higher for longer' theme at the forefront again, hurting equity multiples. 10yr US Treasuries traded above 5% for the first time since 2007, driven by strong US economic data and concerns around the sustainability of government finances. The Q3 earnings season on both sides of the Atlantic has shown a deterioration in fundamentals, with a negative skew to the reaction of missed earnings. Heightened geopolitical tensions around the Israel-Hamas conflict also weighed on market sentiment, and fears of an escalation led to a rally in gold, as a flight to safety, and a rise in oil prices on concerns over supply disruptions.

In the US, the Nasdaq was down -2.8%, the S&P 500 down -2.2% and the mid-cap Russell 2000 fell -6.9% leaving it down -5.8% year-to-date. The MS Unprofitable Tech Index (MSXXUPT) fell another -11.7% in October bringing it -29% lower in the past three months. Elsewhere, in Europe the Eurostoxx was down -2.7%, while in Japan the Nikkei 225 fell -3.1%, despite Yen weakness, and the Japanese small-cap Mothers Index fell -11%, leaving it down -11.2% year-to-date. In Asia, Hong Kong's Hang Seng Index reached year lows falling -3.9%, while there were also declines in Korea, Taiwan and China. Overall MSCI World equities were down -3% in October. Away from equities, credit widened with 5yr XOVER +22bps to 450 and 5yr IG +6bps to 86, and the bond market was mixed with the 5yr US Treasuries -1.2pt and the German 5yr +0.6pts. The VIX Index (a popular measure of expected volatility) ticked higher again to 18 reflecting increased investor anxiety.

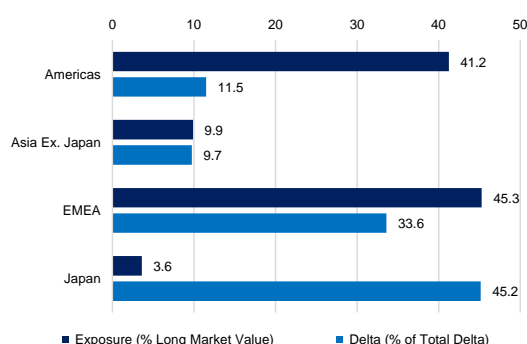
Salar returned -0.76% in October which leaves it currently up +4.16% year-to-date (versus the Refinitiv Focus Index down -3.08% in October and +0.40% year-to-date). Over the past three months Salar has outperformed the Refinitiv Focus Index by 6.1%. Regionally on the month, Europe was the largest drag on performance (-0.28%) followed by the US (-0.20%), with Asia-ex and Japan both down a small amount. One position accounted for more than +10bps of positive performance, Japan's Nippon Corp (+19bps), whilst there were no positions that cost more than -10bps performance on the month.

October is typically a slow month for Convertible issuance, but there was still \$2.9bn of new paper globally, which is more than double the issuance in the same month last year. This month's deals were predominantly from the U.S., Asia, and Japan, with names including Rivian, WDC, Taiwan Cement, Vinhomes and Taiyo Yuden.

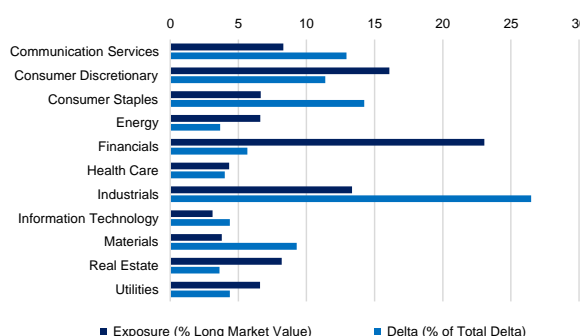
Despite the continued resilience of economic activity in the US year to date, there is still plenty to be cautious about and many observers still expect at least a slowdown to materialise. However, the recent significant re-pricing in markets has provided Salar with the opportunity to use its high convexity to add risk carefully through October. Gradually over the month we've added 6 new positions and in total bought across 16 names during this latest sell-off (including names like Lufthansa, STM, Sanofi, Cellnex, Prysmian, Etsy, Daifuku and Ferrotech), all high-quality credits with good upside potential from here in our opinion. The Fund ended the month with a slightly higher delta and distance to bond floor despite the stock market fall. We believe Salar continues to be well positioned and diversified, giving investors an excellent risk/reward profile.

Portfolio Analysis

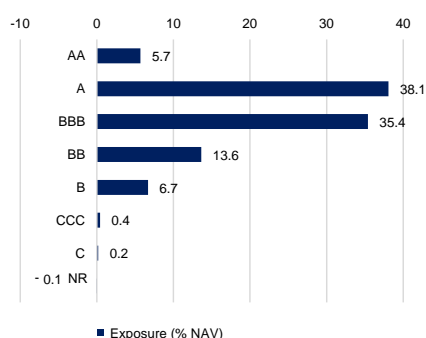
Regional Exposure



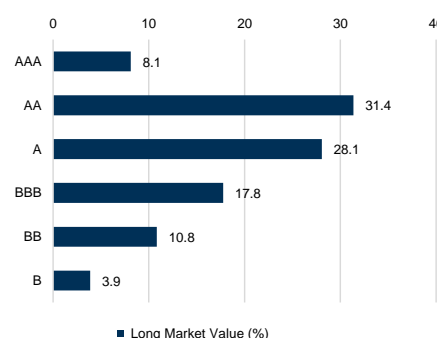
Sector Exposure



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 31 October 2023.

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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