

Investor Report

November 2024

Salar Fund

The Salar Fund has outperformed the Refinitiv Global Focus Hedged Convertible Bond Index over 3 years and since inception, with significantly less volatility**

Description

Salar is a long-only convertible bond fund managed with an absolute return approach. 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 Performance⁵

Past performance does not predict future returns.

	Refinitiv Global Focus Hedged Convertible Bond		
	Salar Fund ***	Index (USD) **	Outperformance
1 Year Return	7.95	15.87	-7.93
3 Year Return Annualised	4.48	0.40	4.08
5 Year Return Annualised	4.86	4.86	0.00
SI Return Annualised	4.91	4.68	0.23
Annualised Volatility (1 year)	2.75	6.93	4.18
Annualised Volatility (3 year)	4.89	10.09	5.21
Annualised Volatility (5 year)	6.28	10.66	4.38

Monthly Net Performance (%)⁵

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	0.49	0.27		6.78
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 which is not a reliable indicator of future results.

Key Fund Information		
Investment Manager	CQS (UK) LLP	
Portfolio Manager	James Peattie, Robert Coe	
Fund Launch Date *	11 February 2008	
Fund Size	\$80.7m	
NAV Per Share	206.64 (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	IE000FJXWQ06
	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
Current Yield	1.0%
Average Premium	43.4%
Average Delta	26.2%
Average Life (years)	1.45
Weighted Av. Rating	BBB+
Weighted Average Carbon Intensity ³	159
Average ESG Rating ⁴	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			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 Commentary⁶

Market performance in November was led by the US, with the election of Donald Trump spurring strength in US small-cap equities and lower quality credit. Global bonds posted weaker performance on concerns that Trump’s potentially inflationary policies will cut short the Federal Reserve’s rate cutting cycle.

In equities, lower quality growth names in the US were stand-out performers, with the MSCI unprofitable technology index rising 21.0%. Meanwhile, Bitcoin rose 38.5%. The S&P 500 rose 5.9% and the NASDAQ rallied 6.3%. In Europe, the Eurostoxx was down -0.4%, and in Asia the Hang Seng declined -4.2% on the back of trade conflict risk. In cash credit indices, Investment Grade (IG) outperformed High Yield (HY) over the month. European IG (ER00) was up 1.6%, outperforming US IG (COA0) which rose 1.2%. In HY, the US outperformed Europe, with US HY (H0A0) up 1.1% and European HY (HP00) up 0.5%.

US convertibles rallied strongly in November, with the majority of returns driven by lower quality CCC and single-B issues, including Bitcoin-related names, in which Salar is not materially invested as they do not meet the Fund’s investment requirements. We see signs of excess and rising risk in areas of the markets, particularly where leveraged investors are most active and where we are not invested.

During the month, the Fund’s gains were driven by US convertibles, with positive contributions from Japanese and European holdings. On a sector level, gains were led by Industrials and Communication Services, while Information Technology names detracted. Contributors adding over ten basis points to Fund returns in the month included Spotify and SBI Holdings. No holdings detracted more than ten basis points from Fund performance.

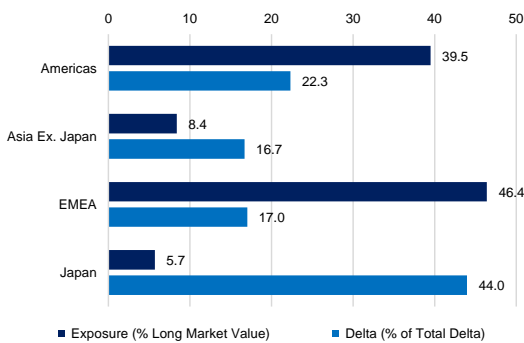
Over the past month, we have increased hedges on our Japanese exposure as the exposures rallied into the money, allowing us to harvest value while retaining positions (including Senko, Seino Holdings, Aica Kogyo, All Nippon Airways & Nippon Flour Mills). This has somewhat reduced our Japan delta. On any pullback in the market, we would reduce the Fund’s hedges. We participated in the primary market with new issue Nikkon Holdings 0% 2028-3, which we transformed into an ASCOT. We declined the Hosiden convertible on account of size and liquidity. Additionally, we sold the 2.75% 2026 convertible into the tender by Cathay Pacific, continuing the theme of corporate activity creating opportunities. We have added yield and balanced instruments with short tenor in Europe and the US, and have also repurchased our Sanofi short as the value of the embedded option required rebalancing. The Fund’s flexibility to exploit ASCOTs at attractive spreads and with strong optionality means that the opportunity set is strong, and embedded value is significant.

As mentioned above, we see signs of exuberance in areas of the markets with credit spreads having ratcheted tighter and some equity markets rallying strongly. These effects can be persistent but when exposed to the light of increased geopolitical tensions, trade barriers, tariffs and restrictions risk appears to be elevated across markets. Markets climb a wall of worry, until they don’t, and the dispersion of performance across equity markets is likely to play to the strength of convertibles. Salar’s strategy and flexible investment toolkit are particularly suited to protect downside while retaining optionality in more difficult markets when sentiment turns.

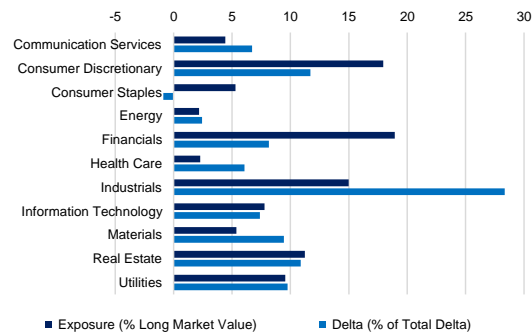
Meanwhile, higher rates are helping attractive coupon levels in new convertible issues and are expanding the supply of new issue paper. The Convertible primary market has been notably strong this year, with IG represented at the highest absolute level and proportion of the total market for more than a decade. 2020 and 2021 issues are now being refinanced at much more attractive levels. This creates opportunities, especially for a flexible, quality-focused fund such as Salar. We see risk in issues that are favoured by leveraged investors – these tend to be the more speculative issues with higher risk reflected in weaker credit ratings and higher volatilities. We are avoiding these names. Nevertheless, the broader convertible opportunity set is strong with corporate activity and ongoing new issuance contributing to attractive valuations. We therefore view convertibles as particularly compelling currently, offering good valuations, a broad selection of sectors and industries and an uncrowded opportunity set with significant embedded value.

Portfolio Analysis

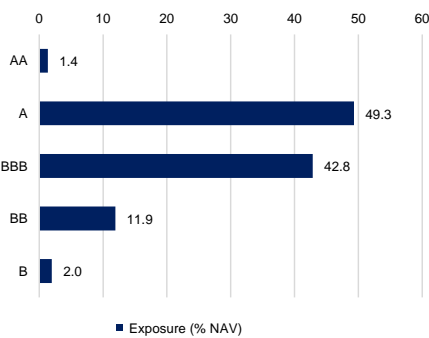
Regional Exposure



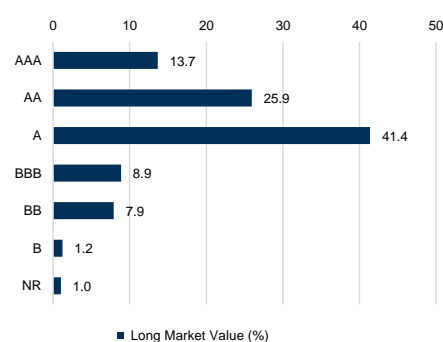
Sector Exposure



Credit Rating (Proxy)⁷



ESG Rating Breakdown^{4,8}



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.

IMPORTANT INFORMATION:

Sources: CQS as at 29 November 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 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.

⁴ 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.

⁵ 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.

⁶ The Fund may have since exited some or all of the positions detailed in this commentary. Includes data sourced from Bloomberg.

⁷ 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.

⁸ 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.

Information required, to the extent applicable, for Distribution of Foreign Collective Investment Schemes to Qualified Investors in Switzerland:

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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