

31 August 2022

Salar Fund PLC

Key Fund Information

Investment Manager	CQS (UK) LLP
Portfolio Manager	Rupert Mathews
Fund Launch Date	11 February 2008
Fund Size	\$141.7m
Legal Structure	UCITS
Domicile	Ireland
Reference Currency	USD
Share Classes	USD, GBP, EUR
UK Reporting Status	Available for selected share classes
Income Available	Available for selected share classes
Dealing	Daily
Subscriptions	T-1
Redemptions	T-1
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 Characteristics¹

No. of Positions ²	100
Average Current Yield	0.77%
Average Premium	48.25%
Average Delta	31.34%
Average Life	1.7 years
No. Long CB Positions ²	75
Weighted Average Carbon Intensity ³	117

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.

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 strong upside potential
- Enhanced asymmetry: Selection of bonds that rapidly gain positive equity exposure in rising markets but shed it quickly as equities fall
- Diversification: Equity exposure should make the Fund's performance negatively correlated with bond markets, while asymmetry/risk profile should make it less correlated to equities

Trailing Net Performance⁴

Past performance does not predict future returns.

1 Month (%)	Year-to-date (%)	1 Year (%)	3 Year (Ann %)	5 Year (Ann %)	Since Inception (Ann %)	NAV/Share
1.65	(2.54)	(2.82)	4.17	3.03	4.06	178.19

Monthly Net Performance (%)⁴

Past performance does not predict future returns.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	(1.40)	(0.52)	1.03	(1.42)	(1.27)	(2.81)	2.28	1.65					(2.54)
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.

Fund Commentary⁵

Market

Salar delivered positive returns in a tough month for markets: on some measures, August was the broadest cross-asset class drop since 1981 with every major asset class falling. The S&P 500 Index fell 4.2% and the Nasdaq, 4.6%; similarly, in Europe the Eurostoxx lost 5.1%, while Germany's Dax dropped 4.8%. Asia performed better, with the Nikkei up 1% and the Hang Seng down 1%. Bond markets performed poorly, with European and US rates and credit spreads significantly higher: German 5-yr bonds were more than 4 points lower and Europe's iTraxx Crossover index of High Yield (HY) CDS ended the month 79 basis points (bps) wider.

Early in the month, the bear market rally continued, prompted by a stronger jobs report and a lower-than-expected inflation print; this raised hopes that the Fed would win its battle against inflation without causing a recession. Both the Nasdaq and S&P rallied almost 20% from their June low, and there were similar moves in Europe. Whilst rates steadily moved higher, spreads initially tightened. However, this changed after the Fed's Jackson Hole symposium later in the month, when Fed chair Powell pushed back against the idea of a dovish pivot and stressed the need to fight inflation, prompting a sell-off in all asset classes.

In this context, Convertibles really performed in August: the Refinitiv Index was down just 49bps, taking it to down 14.75% on the year. Salar was up 1.65%, taking the year-date-to date total to minus 2.54%, an outperformance of 12% on the year.

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.

Performance

Salar did particularly well in August, up 1.65%. The Fund’s bottom-up defensively-biased selection, short duration and Asian exposure helped it avoid losses, at the same time that it recorded many small gains; only two positions made more than 10bp, Coinbase in the US and an Osaka Soda ASCOT in Japan. Across regions, Europe and Asia were flat, Japan was up 1.1% and perhaps most remarkably given underlying markets, the US gained 50bp. Many of the gains were the positions we had added in the June sell-off and given the size of the subsequent moves in many cases already exited. The high convexity in the portfolio has enabled Salar to continually rotate positions as markets move and in volatile times like these, is something that has significantly added to relative performance

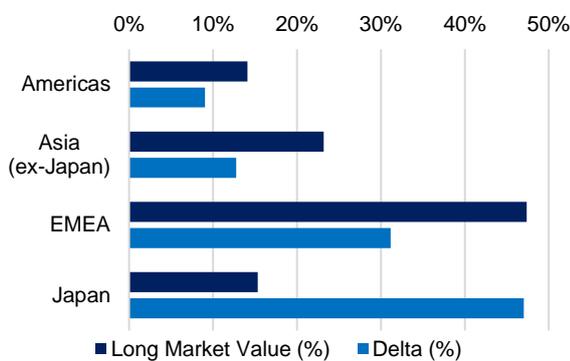
Issuance continues to be weak, although there were a few US refinancing issues this month, perhaps putting a floor on valuations. Still, valuations remain attractive to fair value and the small amount of issuance has been reasonable priced and traded well in the aftermarket.

Outlook

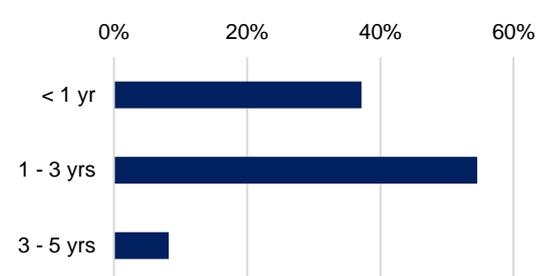
Salar continues to be focused on the same principles that it has followed since its inception 17 years ago of providing the best available risk / reward profile from the Convertible market, being a long-only fund with low volatility and an absolute return mentality.

Portfolio Analysis⁶

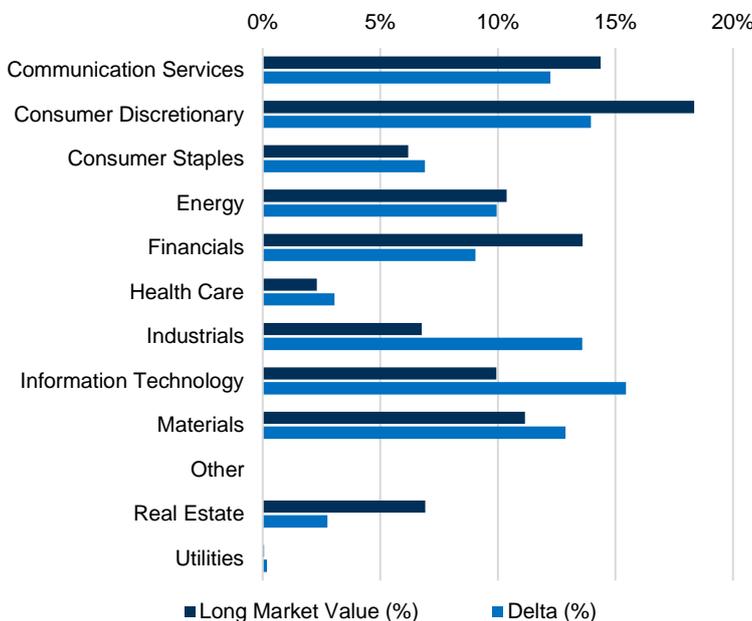
Regional Exposure



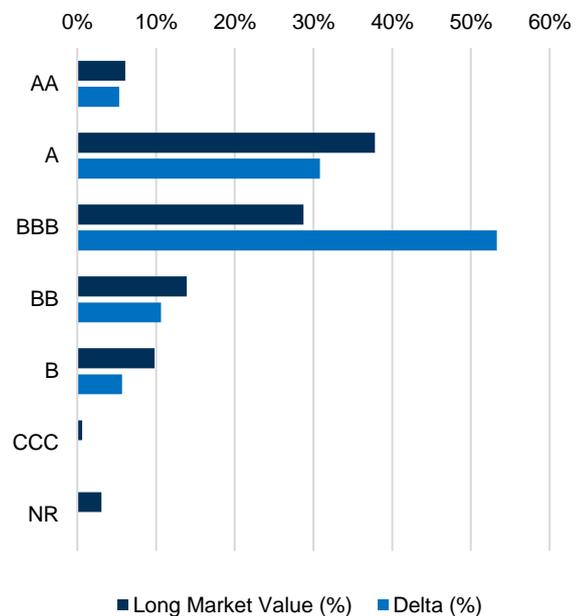
Duration⁷



Sector Exposure



Credit Rating (Proxy)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.

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Important Information

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.

Source: CQS and BNP Paribas Fund Administration Services (Ireland) Limited as at 31 August 2022.

The Fund is registered in the following countries: Austria, France, Germany, Italy, Spain, Sweden, United Kingdom.

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

²Excludes positions with zero market value.

³Weighted Average Carbon Intensity (WACI, tonnes/\$m revenue) estimated using Scope 1 and 2 available disclosures and MSCI sub-industry proxy estimates.

⁴Performance 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.

⁵The Fund may have since exited some or all of the positions detailed in this commentary. Includes data sourced from Bloomberg.

⁶Delta of each instrument weighted according to its market value.

⁷Only includes Convertibles.

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

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PRI Note:

PRI is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMv10.

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