

# Investor Report

28 October 2022

## Salar Fund PLC

Key Fund Information	
Investment Manager	CQS (UK) LLP
Portfolio Manager	Rupert Mathews
Fund Launch Date	11 February 2008
Fund Size	\$128.90m
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	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 Characteristics <sup>1</sup>	
No. of Positions <sup>2</sup>	104
Average Current Yield	0.99%
Average Premium	56.94%
Average Delta	27.80%
Average Life	1.7 years
No. Long CB Positions <sup>2</sup>	79
Weighted Average Carbon Intensity <sup>3</sup>	161

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.

**The Salar Fund has outperformed the Refinitiv Global Focus Hedged Convertible Bond Index over its 1, 3, 5 and 10-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
- Sustainability focus: The Fund is classified as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR). This reflects the binding commitments the Fund has made.

### Trailing Net Performance<sup>4</sup>

Past performance does not predict future returns.

	Salar Fund %	Refinitiv Global Focus Hedged Convertible Bond Index (USD) % **	Outperformance %
1 Year	(4.92)	(20.27)	15.35
3 Years (Annualised)	2.73	1.37	1.35
5 Years (Annualised)	2.31	1.69	0.61
10 Years (Annualised)	4.12	4.06	0.06
Since Inception (Cumulative)	110.35	93.03	17.33
Since Inception (Annualised)	4.49	3.96	0.53
Annualised Volatility (1 year)	6.20	10.13	-3.93
Annualised Volatility (3 years)	7.48	11.74	-4.26
Annualised Volatility (5 years)	6.30	9.75	-3.45

### Monthly Net Performance (%)<sup>4</sup>

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	(3.14)	1.28			<b>(4.40)</b>
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	<b>1.06</b>
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	<b>9.74</b>
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	<b>8.97</b>
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)	<b>(2.44)</b>
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)	<b>3.46</b>

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.** \*\* 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 Commentary<sup>5</sup>

### Market

Another month another reversal - after September's big falls, October was a risk-on month. Whilst rates outside the UK were largely flat, both equities and spreads rallied strongly. The MSCI World Index was up 6% led by the Eurostoxx, up 9%, the S&P 500, up 8%, and the more long-duration Nasdaq lagging, up 3.9%. In Asia, the picture was different, mostly dragged down by concerns about China's Covid restrictions and future policy: whilst Japan's Topix Index was up 5.1%, the CSI 300 Index lost 7.8% and the Hang Seng dropped 14.7%, taking it to levels last seen in the GFC. Credit Spreads were approximately 15% tighter, with Europe's Xover Index moving 86bp tighter to 555 bp.

October started strongly until Non-Farm Payrolls and CPI figures, combined with some hawkish *Fedspeak*, brought the market to new lows by mid-month. However, a dovish article in the Wall Street Journal pointed to the lagged effects of hikes, reigniting dovish pivot hopes. On top of very bearish positioning, this prompted a strong rally into the end of the month.

This happened despite the fact that US mega cap results were, bar Apple, disappointing and leading to the Nasdaq's relative underperformance. Overall, earnings were reasonable, with 50% so far declared tracking 2.5% above expectations. Whilst this is less than historical beats, investors were fearing much worse. The month's standouts were China and Hong Kong, with Tech in particular getting punished along with property stocks, as the market was considerably less enthusiastic about president Xi's consolidation of power at the Party Congress.

### Performance

The Refinitiv index added 2.26% on the month, taking the year-to-date loss to -17.42%, whilst Salar was up 1.28%, reducing its 2022 loss to -4.40%. Convertibles underperformed on the month as they seemed to lag the move in spreads. Issuance continued to be light, although expectations for future issuance amongst investors is growing.

Salar underperformed the index as one would expect in a risk-on rally, but was also hampered by its Asian exposure. The Asian book lost 58bp, whilst Japan was up 19bp, the US, up by 60bp and Europe, up 1.07%.

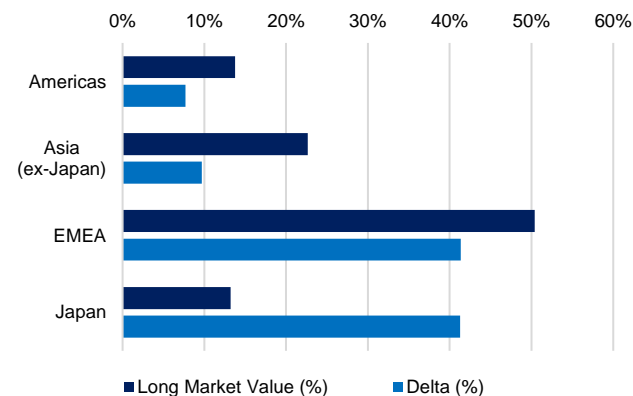
We had 5 gainers of 10bp, 3 of them in Europe (LVMH and two recent adds: BE semi and IAG). Other top gainers were in Japan (Suzuki, after the stock rallied 12% on results) and in the US, where the Musk takeover of Twitter triggered a ratchet in one bond and a par put in the 2026 bonds that benefited the Fund. We lost 10bp in Citi/Longfor in Asia; whilst the stock halved this is Citigroup credit and with a yield of 6% for July '24 maturity, we have added to the position.

### Outlook

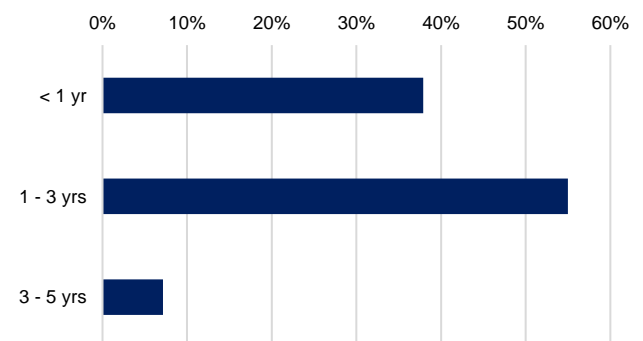
Overall, the profile of the Fund was relatively unchanged on the month, continuing to be defensive and taking advantage of market movements. Whilst underperforming this month, we remain 13% ahead of the index so far this year with considerably lower volatility.

## Portfolio Analysis<sup>6</sup>

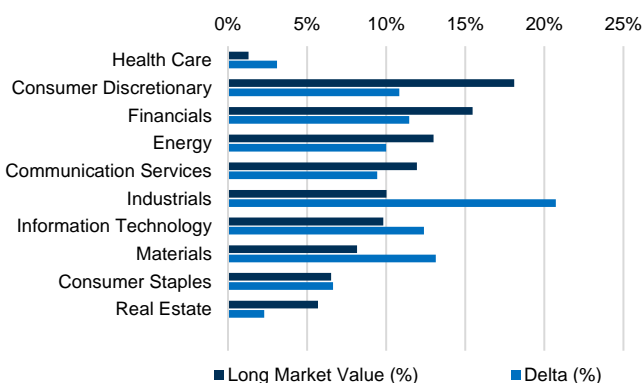
### Regional Exposure



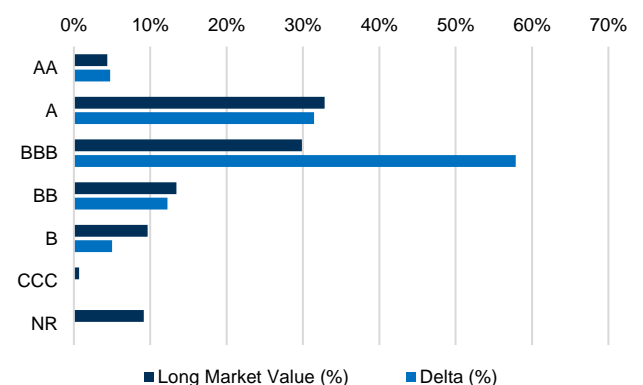
### Duration<sup>7</sup>



### Sector Exposure



### Credit Rating (Proxy)<sup>8</sup>

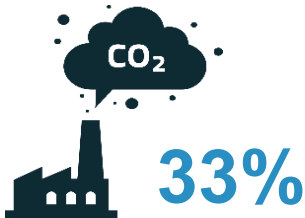


There is no guarantee that the Fund will invest in this way at all or do so in the same manner as set forth in this factsheet. Figures may not sum to 100 due to rounding. The value of securities may go down as well as up, depending on the performance of companies and general market conditions. The value 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.

On 14 November 2022, the Salar Fund was classified as Article 8 under the EU Sustainable Finance Disclosure Regulation. The Fund is committed to Responsible Investment and aligned to CQS’ firm-wide commitment to achieve Net Zero carbon emissions by 2050 or sooner.

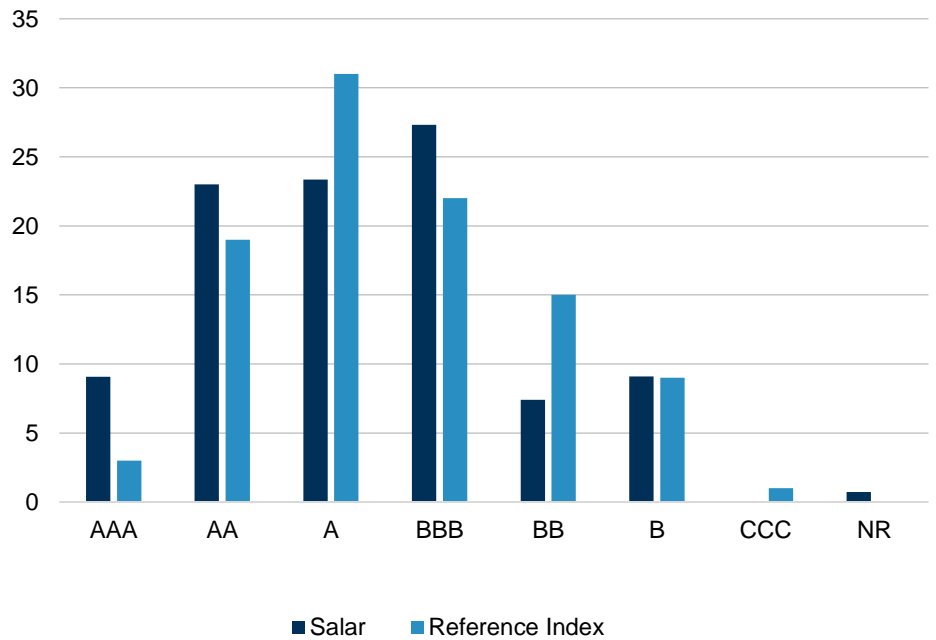
**Weighted Average Carbon Intensity (t/\$m revenue)<sup>3</sup>**

**161** Fund  
**239** Refinitiv Global Focus Convertible Index



Lower carbon emission intensity than investing in the broader universe

**Fund ESG Rating Breakdown (%)<sup>9</sup>**



**Weighted Average ESG Rating**

**A**

9% of the portfolio is invested in issuers with an ESG rating of B or lower.

**We are signatories to the Net Zero Asset Managers’ initiative and our interim targets have now been approved and published.**



Please refer to the Net Zero Asset Managers’ initiative website (<https://www.netzeroassetmanagers.org/signatories/cqs/>) for further details.

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.

Source: CQS. Please refer to page 4 for sources relating to relevant footnotes.

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 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.

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

<sup>2</sup>Excludes positions with zero market value.

<sup>3</sup>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.

<sup>4</sup>Performance 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.

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

<sup>6</sup>Delta of each instrument weighted according to its market value.

<sup>7</sup>Only includes Convertibles.

<sup>8</sup>Cash is rated according to the issuer rating of the custodian bank.

<sup>9</sup>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.

This document has been issued by CQS (UK) LLP which is authorised and regulated by the UK Financial Conduct Authority, CQS (US), LLC which is a registered investment adviser with the US Securities and Exchange Commission, and/or CQS (Hong Kong) Limited, which is authorised and regulated by the Hong Kong Securities and Futures Commission. The term “CQS” as used herein may include one or more of CQS (UK) LLP, CQS (US), LLC, and CQS (Hong Kong) Limited or any other affiliated entity. The information is intended solely for sophisticated investors who are (a) professional investors as defined in Article 4 of the European Directive 2011/61/EU or (b) accredited investors (within the meaning given to such term in Regulation D under the U.S. Securities Act of 1933, as amended) and qualified purchasers (within the meaning given to such term in Section 2(a)(51) of the U.S Investment Company Act 1940, as amended). This document is not intended for distribution to, or use by, the public or any person or entity in any jurisdiction where such use is prohibited by law or regulation.

This document is a marketing communication prepared for general information purposes only and has not been delivered for registration in any jurisdiction nor has its content been reviewed by any regulatory authority in any jurisdiction. The information contained herein does not constitute: (i) a binding legal agreement; (ii) legal, regulatory, tax, accounting or other advice; (iii) an offer, recommendation or solicitation to buy or sell shares or interests in any fund or investment vehicle managed or advised by CQS (a “CQS Fund”) or any other security, commodity, financial instrument, or derivative; or (iv) an offer to enter into any other transaction whatsoever (each a “Transaction”). Any decision to enter into a Transaction should be based on your own independent investigation of the Transaction and appraisal of the risks, benefits and appropriateness of such Transaction in light of your circumstances. Any decision to enter into any Transaction should be based on the terms described in the relevant offering memorandum, prospectus or similar offering document, subscription document, key investor information document (where applicable), and constitutional documents and/or any other relevant document as appropriate (together, the “Offering Documents”). Any Transaction will be subject to the terms set out in the Offering Documents and all applicable laws and regulations. The Offering Documents supersede this document and any information contained herein. The Offering Documents for CQS UCITS range of funds is available here (<https://www.cqs.com/ucits-funds#global-convertibles>) in English (US persons will not be eligible to invest in CQS managed UCITS funds save to the extent set out in the relevant Offering Document). A copy of CQS’ Complaints Policy, which sets out a summary of investors’ rights, is available here (<https://www.cqs.com/site-services/regulatory-disclosures>) in English. CQS may terminate the arrangements for marketing or distribution of any CQS Fund at any time.

Nothing contained herein shall give rise to a partnership, joint venture or any fiduciary or equitable duties. The information contained herein is provided on a non-reliance basis, not warranted as to completeness or accuracy, and is subject to change without notice. Any information contained herein relating to

any non-affiliated third party is the sole responsibility of such third party and has not been independently verified by CQS. The accuracy of data from third party vendors is not guaranteed. If such information is not accurate, some of the conclusions reached or statements made may be adversely affected. CQS is not liable for any decisions made or action taken by you or others based on the contents of this document and neither CQS nor any of its directors, officers, employees or representatives accept any liability whatsoever for any errors or omissions or any loss howsoever arising from the use of this document.

**Information contained in this document should not be viewed as indicative of future results as past performance of any Transaction is not indicative of future results. Any investment in a CQS Fund or any of its affiliates involves a high degree of risk, including the risk of loss of the entire amount invested. The value of investments can go down as well as up.** Future performance is subject to taxation which depends on the personal situation of each investor and which may change in the future. Investments may lead to a financial loss if no guarantee on the capital is in place. An investment in any CQS Fund will involve a number of material risks which include, without limitation, risks associated with adverse market developments, currency and exchange rate risks, risk of counterparty or issuer default, and risk of illiquidity. Any assumptions, assessments, targets (including target returns and volatility targets), statements or other such views expressed herein (collectively “Statements”) regarding future events and circumstances or that are forward looking in nature constitute CQS’ subjective views or beliefs and involve inherent risk and uncertainties beyond CQS’ control. Any indices included in this document are for illustrative purposes only and are not representative of CQS Funds in terms of either composition or risk (including volatility and other risk related factors). Unless stated to the contrary CQS Funds are not managed to a specific index.

The information contained herein is confidential and may be legally privileged and is intended for the exclusive use of the intended recipient(s) to which the document has been provided. In accepting receipt of the information transmitted you agree that you and/or your affiliates, partners, directors, officers and employees, as applicable, will keep all information strictly confidential. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information is prohibited. Any distribution or reproduction of this document is not authorized and prohibited without the express written consent of CQS, or any of its affiliates. Unless otherwise stated to the contrary herein, CQS owns all intellectual property rights in this document.

CQS is a founder of the Standards Board for Alternative Investments (“SBAI”) which was formed to act as custodian of the alternative investment managers’ industry best practice standards (the “Standards”). By applying the Standards, managers commit to adopt the “comply or explain” approach described in the Standards. CQS is a signatory of the UN Principles for Responsible Investment and a supporter and participant of certain other responsible investment related industry associations.

### PRI Note:

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

### 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 3(ter) 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<sup>1</sup>) 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.

### In the European Union:

This document is issued by KBA Investments Limited. KBA Investments Limited is licensed in terms of the Investment Services Act (Cap 370) as an Investment Firm and is regulated by the Malta Financial Services Authority (Authorisation ID KIL2-IF-16174).

KBA Investments Limited is licensed in terms of the Investment Services Act (Cap 370) as an Investment Firm and is regulated by the Malta Financial Services Authority (Authorisation ID KIL2-IF-16174). KBA Investments Limited is a sub-distributor in certain countries in the European Union for CQS (UK) LLP.

For the full list of EU countries, please visit the MFSA Financial Services Register at <https://www.mfsa.mt/financial-services-register>. Registered Office: Trident Park, Notabile Gardens, No 2 - Level 3, Zone 2, Central Business District, Birkirkara, Malta. Registered in Malta No. C97015. GMACv6.

**CQS (UK) LLP**



4th Floor, One Strand, London WC2N 5HR, United Kingdom  
T: +44 (0) 20 7201 6900 | F: +44 (0) 20 7201 1200

**CQS (US), LLC**

152 West 57th Street, 40th Floor, New York, NY 10019, US  
T: +1 212 259 2900 | F: +1 212 259 2699

**CQS (Hong Kong) Limited**

3305 AIA Tower, 183 Electric Road, North Point, Hong Kong, China  
T: +852 3920 8600 | F: +852 2521 3189

✉ [CQSClientServices@cqsm.com](mailto:CQSClientServices@cqsm.com)  [www.cqs.com](http://www.cqs.com)  Follow us

Signatory of:

