

# Investor Report

31 May 2023

## CQS Global Convertible Fund

### Key Metrics

Investment Manager	CQS (UK) LLP
Portfolio Manager	James Peattie
Fund Launch Date <sup>1</sup>	2 March 2015
Fund Size (\$m)	203.0
Legal Structure	UCITS
SFDR	Article 8
Domicile	Ireland
Reference Currency	EUR
Share Classes	EUR, GBP, USD, AUD, CHF
Reference Share Class	C USD
Registered	Australia, France, Germany, Hong Kong, Ireland, Italy, Japan, Korea, Luxembourg, Spain, Switzerland and United Kingdom
Dealing	Daily by 1pm Dublin time
Target Return <sup>2</sup>	6-8% annualised over the cycle
Expected Volatility <sup>2</sup>	5-7% annualised over the cycle

### Fund Ratings



### Fund Characteristics

Equity Delta <sup>4</sup>	40.0%
Weighted Average Credit Rating <sup>9</sup>	BBB
No. of Positions	78
Max. Single Issuer Exposure	10% (UCITS 5/10/40 limit)
Max. Regional Exposure	60%
Max. EM Exposure	35%
Max. Cash	20%
Excluded Securities	Derivatives (except for currency hedging), reverse convertibles, synthetic convertibles
Borrowings	The Fund is permitted to borrow up to 10% of the Fund's NAV on a temporary short-term basis
Anti-Dilution Levy	Partial Swing Pricing with transaction costs and threshold to be set by the Manager (maximum 2% of NAV)

### Description

- Convertible bond strategy seeking equity-like returns (6-8% net) with lower volatility (5-7%) over a market cycle.<sup>2</sup>
- Managed by James Peattie (Senior Portfolio Manager), supported by a global team of portfolio managers, analysts and traders.
- Convertibles are a core product at CQS. The Firm manages long-only convertibles across pooled and dedicated mandates for institutional investors globally.

### Fund Performance<sup>1,3</sup>

The value of securities may go down as well as up, depending on the performance of companies and general market conditions. Past performance does not predict future returns. Share class launch dates vary. Please see Important Information on page 6 for details.

Share Class	1 Month (%)	3 Month (%)	Year-to-Date (%)	1 Year (%)	3 Year Annualised (%)	5 Year Annualised (%)	LTD Annualised (%)	NAV/Share
C EUR	0.25%	(0.03%)	3.49%	(2.78%)	4.57%	2.64%	3.66%	132.91
C GBP	0.37%	0.30%	4.11%	(1.31%)	5.56%	3.56%	4.45%	139.11
C USD	0.45%	0.51%	4.48%	(0.10%)	6.30%	4.76%	5.36%	153.01
S CHF	0.08%	(0.50%)	2.79%	(3.68%)	4.21%	2.12%	2.12%	111.05
S EUR	0.27%	0.01%	3.55%	(2.65%)	4.71%	2.58%	2.58%	113.57
S GBP	0.38%	0.36%	4.19%	(1.17%)	5.70%	3.62%	3.62%	119.47
S USD	0.46%	0.55%	4.55%	0.04%	6.44%	4.69%	4.69%	125.75
I EUR	0.25%	(0.07%)	3.42%	(2.92%)	4.41%		3.38%	114.55
I GBP	0.35%	0.28%	4.06%	(1.44%)	5.41%		4.26%	118.59
I USD	0.43%	0.48%	4.42%	(0.24%)	6.18%		5.32%	123.59
I CHF	0.06%	(0.49%)	(0.49%)					99.51
T USD	0.47%	0.58%	4.60%	0.14%			(0.20%)	99.78

### Monthly Net Performance (%)<sup>3</sup>

Past performance does not predict future returns.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	4.16	(0.20)	0.77	(0.71)	0.45								4.48
2022	(5.44)	(0.98)	0.41	(3.98)	(0.29)	(5.58)	4.04	(1.18)	(4.74)	1.96	2.94	(1.72)	(13.92)
2021	(0.40)	2.98	(0.60)	1.72	0.39	0.15	0.04	0.20	(1.59)	3.01	0.93	1.15	8.18
2020	0.09	(2.32)	(6.81)	4.39	3.04	4.37	2.96	3.47	(0.63)	(0.21)	8.62	3.09	20.99
2019	2.34	2.02	0.16	1.55	(2.24)	2.73	0.95	(0.78)	0.95	0.38	1.10	1.51	11.09
2018	1.64	(0.86)	(0.19)	0.84	0.45	(0.95)	0.79	0.79	0.05	(2.19)	0.48	(2.47)	(1.69)
2017	0.57	1.36	1.22	0.90	2.27	(1.03)	1.40	0.28	0.85	2.22	(0.32)	(0.50)	9.56
2016	(3.38)	(0.64)	3.12	0.11	1.71	(1.05)	3.08	0.48	1.37	(0.44)	1.03	2.25	7.65
2015					(0.04)	(1.70)	0.69	(1.47)	(0.29)	3.86	(0.16)	(0.18)	0.61

Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this UCITS presents disproportionate communication on the consideration of non-financial criteria in its investment policy.

Source: CQS. Please refer to page 6 for sources relating to relevant footnotes. Information about the Fund and copies of the prospectus, the supplement, the key investor information documents, the latest audited annual report and accounts and any subsequent unaudited semi-annual reports may be obtained free of charge from the administrator, State Street Fund Services (Ireland) Limited (the Administrator) or the investment manager, CQS (UK) LLP upon request. The Fund is authorised in Ireland and regulated by the Central Bank of Ireland. Please refer to the FE fundinfo Crown Fund Rating Disclosure at the end of this document. Ratings are not a recommendation. 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.

## Key Fund Information

Third Parties	
Administrator	BNP Paribas Fund Administration (Ireland) Limited
Depository	BNP Paribas Securities Services, Dublin Branch
Auditor	Ernst & Young

Management Fee	
A	1.50% p.a.
I	0.65% p.a.
C	0.50% p.a.
S	0.40% p.a.
T	0.30% p.a.

Ongoing Charges/Expenses	
0.20% (for S and T share class)	
0.25% (for all other share classes)	

Minimum Investment Size	
A	€35,000 or currency equivalent
I	€1m or currency equivalent
C	€10m or currency equivalent
S	\$50m or currency equivalent
T	\$250m or currency equivalent

ISIN	
I CHF	IE000M8IAEF0
I EUR	IE00BTFQZS81
I GBP	IE00BTFQZT98
I USD	IE00BTFQZV11
C EUR	IE00BTFQZW28
C GBP	IE00BTFQZX35
C USD	IE00BTFQZY42
S CHF	IE00BFXXNY58
S EUR	IE00BFXXNZ65
S GBP	IE00BFXXP056
S USD	IE00BFXXP163
T USD	IE000Y6IMXS8

Bloomberg Security Numbers	
C USD	CQSGC13
C GBP	CQGC13G
C EUR	CQGI3ES
S CHF	CQGC14C
S EUR	CQGC14E
S GBP	CQGC14G
S USD	CQGC14U

Reporting	
Investor Report	Monthly Factsheet
Fiscal Year-End	30 June

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.						

## Commentary<sup>5</sup>

### Market

Market focus in May centred around the progress of US debt limit negotiations, leading to a strong rally at the end of the month when agreement was reached. The US Federal Reserve raised interest rates by 25bps during the month but indicated that there may be room to slow the pace of tightening in the near-term. In Europe, inflation figures across the Eurozone fell on the back of lower energy prices, although data showed that core inflation remained sticky in the UK. Oil prices continued to fall during the month with WTI ending the month at \$68/bbl, from \$77/bbl the previous month, leading to speculation of production cuts from OPEC+.

In cash credit indices, there was dispersed performance across regions in May with Europe outperforming the US. European High Yield (HY) (HP00) was up 0.6%, while Investment Grade (IG) (ER00) was up 0.2%. Meanwhile, US HY (H0A0) and IG (C0A0) were down 0.9% and 1.3% respectively.

In Equity markets, it was a positive month in the US, particularly in growth names. The S&P 500 index was up 0.4% with the tech-heavy NASDAQ up 5.9%. Other regional performance was weaker with the EuroStoxx 50 down 2.2% and the Hang Seng down 7.9%.

### Performance

In May, gains were led by the US, with Asia also contributing positively. Europe detracted from Fund performance. At a sector-level, Information Technology led gains, while Industrials and Communication Services were the main detractors.

The top three single-name contributors were BE Semiconductor Industries and ON Semiconductor, the Dutch and US semiconductor suppliers, and the Italian beverage producer Campari Group.

The top three single-name detractors were the US online travel agency Priceline Group, US energy company Pioneer Natural Resources, and LVMH, the French luxury conglomerate.

Primary issuance remained active with \$7.8bn of new issues, of which the majority came from the US with \$7.2bn, with the remaining \$0.6bn coming from Europe.

### Positioning

During the month, the Fund participated in the primary market with new issues Welltower 2.75% 2028 144a and Dexcom 0.375% 2028 144a.

The Fund reduced its position in Palo Alto Networks 0.75% 2023 ahead of maturity after strong performance.

The Fund also exited Silicon Labs 0.625% 2025 ahead of call after strong performance and increased semiconductor exposure through SK Hynix 1.75% 2027-30.

### Responsible Investment

In May 2023, CQS joined the 2023 CDP Non-Disclosure Campaign. The campaign is a collaboration of 288 financial institutions directly engaging with 1,607 of the highest impact companies not currently disclosing environmental data through CDP. This is CQS' third year supporting the campaign. We are leading on four engagements and supporting the remainder, covering some holdings within the Fund. The 2022 campaign drove responses from 388 high environmental impact companies and we look forward to seeing the progress the 2023 campaign achieves.

### Outlook

Concerns of US default have receded leaving space to worry about the prospects for the economy. Investors continue to oscillate between fears over inflation, the direction of interest rates and economic growth. Geopolitical tensions have become a part of the landscape, fuelling uncertainty. Despite this, overall volatility in markets has declined, although idiosyncratic risk remains. The decline in volatility has contributed to cheapening of the convertible market in addition to the repricing of equity, credit and rates. We view Convertible valuations as attractive and we see excess value in balanced and yield instruments, with portfolio positioning reflecting our view of the opportunity set. Our portfolio is diversified by industry, region, credit quality, duration and investment profile.

James Peattie

Senior Portfolio Manager

Source: CQS. Please refer to page 6 for sources relating to relevant footnotes.

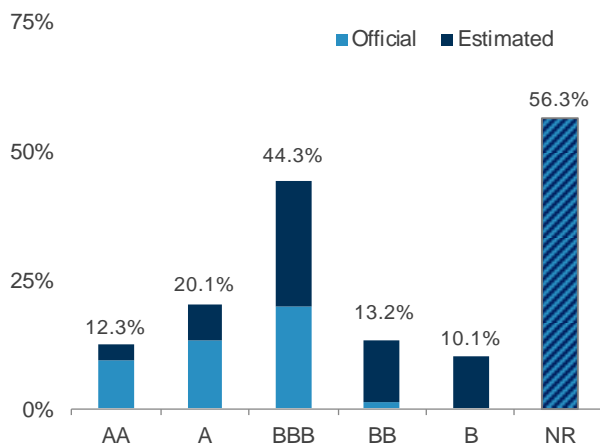
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### Top 10 Holdings

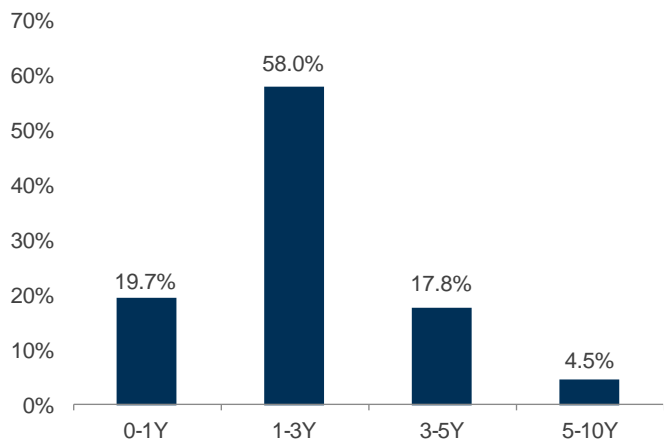
Name	Sector	% of NAV
Lagfin (Campari)	Consumer Staples	3.33%
BNP Paribas	Financials	2.94%
Amadeus Global	Consumer Discretionary	2.80%
Iberdrola	Utilities	2.36%
KPN	Communication Services	2.22%
STMicroelectronics	Information Technology	2.21%
Sika	Materials	2.16%
Priceline Group	Consumer Discretionary	2.10%
Schneider Electric	Industrials	2.00%
Euronet Worldwide	Financials	1.92%

### Portfolio Analysis (% of NAV)<sup>6</sup>

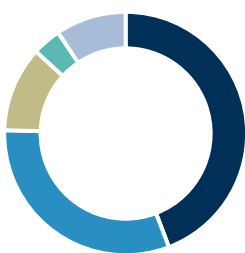
#### Credit Rating<sup>7</sup>



#### Maturity<sup>8</sup>

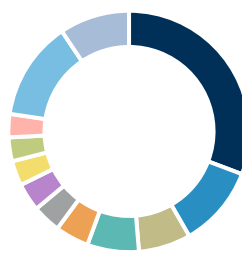


#### Regional Exposure



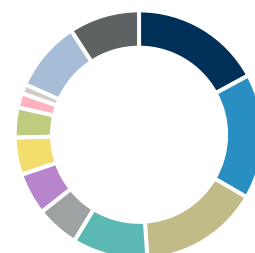
- EMEA 44.2%
- Americas 31.2%
- Asia Ex. Japan 11.4%
- Japan 3.8%
- Cash 9.4%

#### Country Exposure



- United States 30.8%
- France 10.9%
- Germany 7.0%
- Spain 6.9%
- Switzerland 4.5%
- Japan 3.8%
- Singapore 3.7%
- Luxembourg 3.3%
- China 3.2%
- Netherlands 3.1%
- Other 13.3%
- Cash 9.4%

#### Industry Exposure



- Financials 17.5%
- Information Technology 16.7%
- Industrials 15.9%
- Consumer Discretionary 10.0%
- Materials 7.0%
- Consumer Staples 5.7%
- Real Estate 5.6%
- Utilities 5.0%
- Communication Services 4.0%
- Health Care 1.9%
- Energy 1.2%
- Cash 9.4%

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## Investment Approach

- Seeking upside participation in rising equity markets and downside protection (due to the bond floor) in weak equity markets
- Aiming to exploit opportunities in convertibles globally across diverse sectors, geographies and security profiles
- Disciplined investment process underpinned by deep fundamental research with integrated ESG analysis
- Active investment management and benchmark agnostic
- Committed to delivering a Weighted Average Carbon Intensity (WACI) and ESG rating that is better than the Refinitiv Global Focus Index, Net Zero by 2050 and related interim targets including engagement to drive long-term ESG improvement

## Security Selection Process

- The Portfolio Manager focuses on individual convertible securities seeking to maximise investment opportunity and expected return asymmetry
- Selected securities continually compete for a place in the portfolio
- Catalysts for portfolio change include: relative valuation shifts, corporate news, new issuance, rating actions, upgrades / downgrades, corporate events, and calls / puts / maturities
- In-house credit ratings are used to evaluate the significant unrated portion of the market to add value

## Portfolio Construction and Risk Management

- The Portfolio Manager seeks optimal portfolio risk / reward and diversification by issuer, geography and industry sector with appropriate position sizing
- Strict compliance with risk limits, monitored by an independent risk management team

## Risks Involved

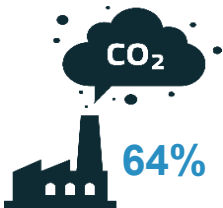
- Investments in global convertibles are primarily subject to equity, credit, interest rate and foreign exchange risk
- The Fund seeks to hedge foreign exchange risk using financial derivatives

Source: CQS. Please refer to page 6 for sources relating to relevant footnotes.

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## Responsible Investing

The Fund's portfolio currently exhibits the following characteristics:



lower carbon emission intensity than the Refinitiv Global Focus Convertible Index

### Weighted Average Carbon Intensity (WACI, t/\$m sales)<sup>9</sup>

**136** Fund

**376** Reference Index<sup>10</sup>

### Weighted Average ESG Rating

**AA**

Less than 4% of the portfolio is invested in issuers with an ESG rating of B or lower.

### Restrictions & Considerations

As part of CQS' Firm-wide process to drive sustainability, we focus on companies which demonstrate sound ESG characteristics as well as adaptability and resilience in the transition to a low carbon economy.

The Fund is committed to delivering:

- A weighted average ESG rating that is better than the Refinitiv Global Focus Convertible Index
- A Weighted Average Carbon Intensity (WACI) which is lower than the Refinitiv Global Focus Index
- A Net Zero portfolio by 2050 or sooner and related interim targets
- Engagement to drive long-term ESG improvement

### Approach

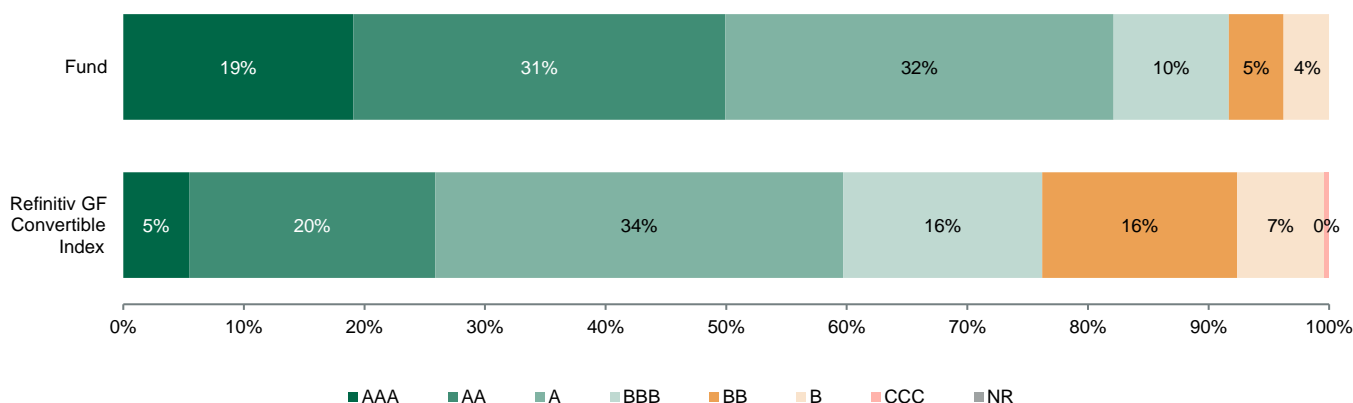
- Focuses on companies that demonstrate sound ESG characteristics as well as adaptability and resilience in the transition to a low carbon economy
- Each convertible security owned by the Fund is assigned an internal ESG rating by the CQS Research Team, irrespective of whether the security is rated by an external agency
- Follow the CQS five-stage Responsible Investing process, with portfolio managers required to consider ESG as part of their decision making
- Research by specialist analysts and ESG engagement activity
- Prefer stronger ESG issuers over weaker ones, all else being equal
- ESG laggards require detailed analysis, rationale and engagement to understand the risks and actions being taken by the company

### Exclusions

The Fund's portfolio will exclude direct investment in issuers which:

- are involved in the production of controversial weapons
- derive greater than 10% of their revenue from direct involvement in tobacco sales, adult entertainment, gambling or payday lending
- derive any of their revenue from direct involvement in thermal coal and/or oil sands
- to the best of CQS' knowledge, are in breach of the Ten Principles of the UN Global Compact

## CQS Global Convertible Fund ESG Ratings<sup>11</sup>



We are a signatory 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 Global Convertible 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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## Important Information

Source: CQS as at 31 May 2023.

<sup>1</sup>Class C EUR launched 17 July 2015, Class C GBP launched 4 November 2015, Class C USD launched 27 May 2015, Class S CHF launched 7 June 2018, Class S EUR launched on 7 June 2018, Class S GBP launched 21 June 2018 and Class S USD launched 7 June 2018, Class I EUR, USD and GBP launched 13 May 2019, Class T USD launched on 30 June 2022, Class I CHF launched 28 February 2023.

<sup>2</sup>Target returns are estimated and net of anticipated fees, expenses and income reinvested. They are based on long-term performance projections of the investment strategy and market conditions at the time of modelling and are therefore subject to change. There is no guarantee that any target return can be achieved. Investors should not place any reliance on such target return in deciding whether to invest in the Fund. Target returns are for illustrative purposes only.

<sup>3</sup>The CQS Global Convertible Fund (UCITS) a sub-fund of CQS Funds (Ireland) plc was approved by the Central Bank of Ireland on the 12 February 2015 and commenced investment activity 2 March 2015. Class returns are calculated net of all fees and expenses on the basis of a shareholding since inception of such class or, if such class has become dormant at any point following inception, since the first new investment into such class. Individual shareholders may have different returns depending upon the date of their investment. Investors should refer to each specific share class for the actual historical performance of the relevant class; please request full history of data from CQS. Reference Share Class is C USD.

<sup>4</sup>Weighted Average Delta: The delta of each instrument is weighted according to its market value. Cash is included with a delta of zero.

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

<sup>6</sup>Actual allocations at month-end. 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.

<sup>7</sup>Average 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 as A+.

<sup>8</sup>Maturity or first put.

<sup>9</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. Please note that the WACI score does not include hedges for efficient portfolio management purposes.

<sup>10</sup>Index is the Refinitiv Global Focus Convertible Index.

<sup>11</sup>ESG ratings may not sum to 100% due to rounding. 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.

All market data sourced is from Bloomberg, Bank of America Merrill Lynch and UBS. Past performance may not be a reliable guide to future performance. The value of investments can go down as well as up.

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