

Investor Report

July 2024 Salar Fund

Key Fund Information	
Investment Manager	CQS (UK) LLP
Portfolio Manager	Robert Coe
Fund Launch Date *	11 February 2008
Fund Size	\$77.7m
NAV Per Share	198.85 (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 IE00DY06J66 C1 GBP D Inc IE00FJXQWQ6 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	79
Weighted Portfolio Yield ³	4.1%
Current Yield	1.1%
Average Premium	71.2%
Average Delta	32.7%
Average Life (years)	1.73
Weighted Av. Rating	BBB+
Weighted Average Carbon Intensity ⁴	176
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 3 and 5-year periods, and since inception, with significantly 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	4.00	2.93	1.07
3 Year Return Annualised	2.89	(2.86)	5.75
5 Year Return Annualised	4.52	3.49	1.03
SI Return	139.28	120.14	19.14
SI Return Annualised	4.78	4.32	0.47
Annualised Volatility (1 year)	3.16	9.29	(6.13)
Annualised Volatility (3 year)	4.86	9.85	(4.99)
Annualised Volatility (5 year)	6.28	10.52	(4.25)

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
2024	0.25	1.45	1.33	(0.40)	(0.23)	(0.29)	0.63	-	-	-	-	-	2.76
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 is not a reliable indicator of future results.

Fund Commentary⁷

July was a volatile month where a weaker than expected U.S. CPI print and weaker U.S. labour data led to hopes of quicker rates cuts in the U.S., and helped those more interest-rate sensitive stocks. The standout area of stock market strength was the U.S. small-cap Russell 2000 Index, while many other regions struggled with questions over sustainable growth and the extended AI Tech rally. Japan was lower on the month, pressured by the Yen strengthening (up +6.8% versus the US Dollar), its strongest monthly move since July 2016. In Hong Kong/China, the market continued to struggle with the spillover from the housing sector crisis, although Chinese officials provided liquidity support by cutting the reverse repo rate and lowering its benchmark prime rate.

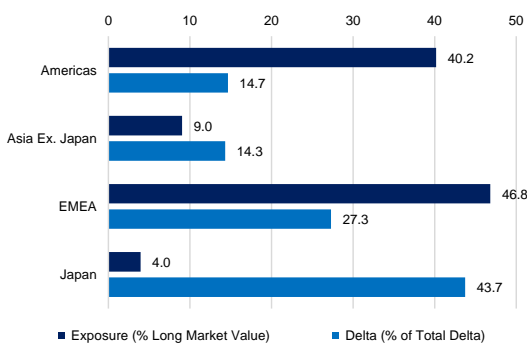
The main U.S. indices were mixed in July, with the S&P 500 up +1.1% and the Nasdaq down -0.8%, while the small-cap Russell rallied +10.1%, its largest monthly outperformance versus the Nasdaq in over 20 years. In Europe, the Eurostoxx was down -0.4%, while in Asia-ex the Hang Seng fell -2.1%, the Taiwanese TWSE fell -3.6% and Korea's KOSPI fell -1%. In Japan, stocks traded lower towards the end of the month with the Nikkei 225 down -1.2%, driven by Yen strengthening ahead of the Bank of Japan rate move on the last day of the month. Overall, the MSCI World Index was up +1.5% on the month. Away from equities, credit was tighter with 5yr XOVER -25bps to 295 and 5yr Investment Grade (IG) -6bps to 55, while the bond market was better with 5yr US Treasuries +2.3pt, the German 5yr Bund +1.3pt and the 5yr UK Gilt +1.3pt. The U.S. VIX Index (a popular measure of expected volatility) moved higher from low levels, driven by U.S. political uncertainty, escalating tensions in the Middle East, and the U.S. earnings season.

Salar Fund returned +0.63% in July which leaves it currently up +2.75% year-to-date (versus the Refinitiv Focus Index up +1.48% in July and up +2.07% year-to-date). Salar has outperformed the Refinitiv Focus Index by +0.68% year-to-date. Salar's underperformance versus the Refinitiv Focus Index in July was almost entirely down to the sharp U.S. small-cap stock rally, where Salar has much less exposure due to credit and valuation concerns. For Salar, gains came from Europe (+0.35%) and the U.S (+0.30%), while Asia-ex and Japan were both approximately flat. One name contributed +10bps to performance in July (Bureau Veritas) and one detracted -13bps (Bosideng). Year-to-date, all four regions have positively contributed to overall performance. It was a fairly quiet month trading wise, but we did add slowly to names in Asia including Alibaba and Ping-An, and made some buy prints into big downward moves post-earnings in STMicroelectronics and Ford. In Europe, we added to Schneider 31 and MTU Aerospace on weakness. CB primary issuance and overall liquidity in the convertible market remained very healthy in July. Despite earnings season, we got \$8.6bn of global convertible issuance, dominated by Asian issuers. Names coming to the market in July included a huge \$3.5bn benchmark deal from Ping-An, a \$430mm issue from Telix Pharma, and a \$600mm from Wiywynn (all Asia). In the U.S., we got another \$1bn deal from Welltower as well as some other smaller deals. In Europe, we got new CBs from TUI AG and Ocado, both alongside a buyback of their existing CBs, and in Japan a new \$620mm CB from past issuer SBI Holdings.

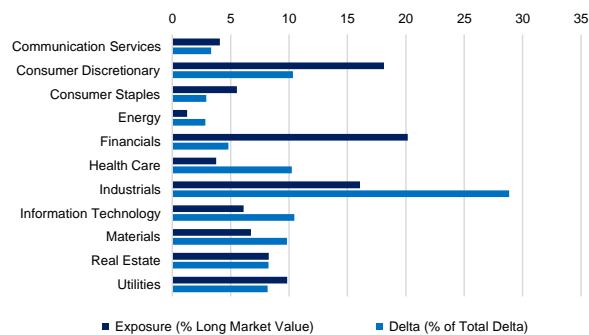
In the days following the end of July, we have seen a sharp risk-off move from many markets, including a complete reversal of the Russell 2000's recent monthly gain. In Japan, markets have lurched lower, which looks like a highly oversold technical move, and in Europe there has also been weakness. Tensions in the Middle East remain elevated and of global concern, with the situation changing daily. Salar remains defensively positioned with approximately 85% of its long-market-value rated IG+ and its distance to bond floor around two-thirds lower than the broader CB market. We are using this weakness and the high convexity in the Fund to opportunistically add to names slowly in the portfolio and find new attractive names after this pullback.

Portfolio Analysis

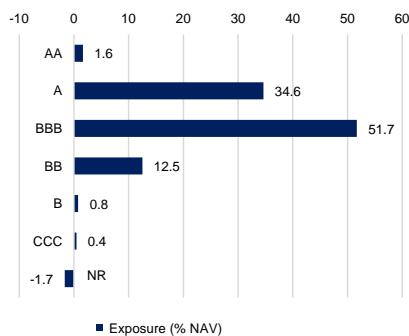
Regional Exposure



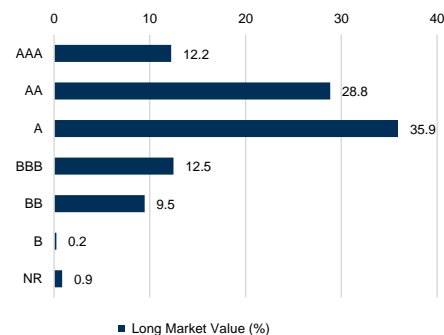
Sector Exposure



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 may 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 July 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.

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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