

Investor Report

30 September 2022

Salar Fund

Key Fund Information	
Investment Manager	CQS (UK) LLP
Portfolio Manager	Rupert Mathews
Fund Launch Date	11 February 2008
Fund Size	\$127.31m
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 SONIA*
Min Investment	\$250,000
ISIN	IE00B2PLHH71
Bloomberg	SALFUNA ID
Fund Characteristics ¹	
No. of Positions ²	102
Average Current Yield	0.92%
Average Premium	57.72%
Average Delta	26.39%
Average Life	1.8 years
No. Long CB Positions ²	76
Weighted Average Carbon Intensity ³	113

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.

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 (%)	Annualised Return				Volatility				NAV/Share
			3 Year (%)	5 Year (%)	10 Year (%)	Since Inception	1 year (%)	3 year (%)	5 year (%)	10 year (%)	
(3.14)	(5.61)	(5.72)	2.72	2.27	4.02	3.81	6.00	7.48	6.30	5.31	172.59

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	(3.14)				(5.61)
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

Another tough month for markets, with equities having their worst month since Covid-19: the MSCI World lost 9.7%, as all regions were affected: the S&P 500 was down 9.3%; the Nasdaq, down 10.5%, Europe was broadly down 5%, with the Eurostoxx 5.7% lower, whilst Asia was also weak with the Hang Seng down 13.7% and the Nikkei, 7.7% lower.

Bond markets were also weak globally: US 5-year Treasuries fell more than 3.5 points, while 2-year rates moved even more, keeping the US curve inverted. Credit spreads were also under pressure: Europe's Xover was 53 basis points (bps) wider in September, although perhaps less than expected given the moves in other risk assets.

Like August, September was yet again a month of two halves, with the S&P up 3.9% as of the 12th of September, only to end the month 9.3% lower. The initial move upwards was aided by bearish positioning and market hopes that a slight uptick in US unemployment would help cool wage pressures. However, the CPI print mid-month, particularly the rise in core CPI, came in much hotter than expected and this put markets into reverse. This was followed by a third straight 75 bps hike from the Fed and an increasingly hawkish Fed speak, which seemingly was echoed by central bankers around the world.

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.

The UK got a new government and an expansionist “mini-budget” spooked markets and dragged the pound to its lowest ever levels; some long-duration gilts halved in a week, forcing the Bank of England to step in to provide stability and prevent a potential liquidity driven-pensions crisis.

Whilst Convertibles suffered this month given the underlying moves, this was relatively limited and the asset class was 0.5 to 1 point cheaper on the month. This stands in marked contrast to Convertible moves in May and June and reflects both the asset class’ current cheapness and lack of issuance (which was light again at \$3.9 bln).

Performance

In this context, the CQS Salar Fund was down 3.14% in September, and down 5.61% on the year. The Refinitiv Global Focus Hedged Convertible Bond Index lost 5.27% on the month, taking its year-to-date loss to 19.24%.

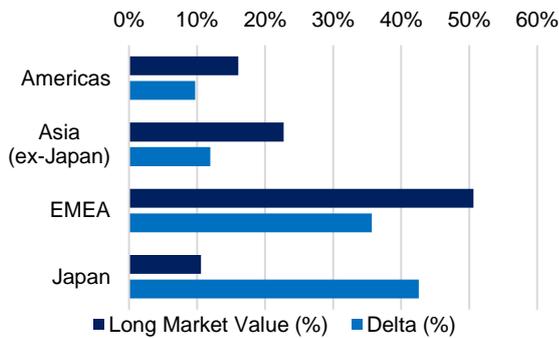
Salar clearly suffered in September, but managed to outperform the Refinitiv index by 2%. Whilst having many small losses, the Fund only had one significant position loss in September (Dutch telecoms provider KPN, which lost 16 bps on the month). Europe was the weakest region, down 1.3% on the month, whilst all other regions were relatively equally split in terms of losses.

Positioning & Outlook

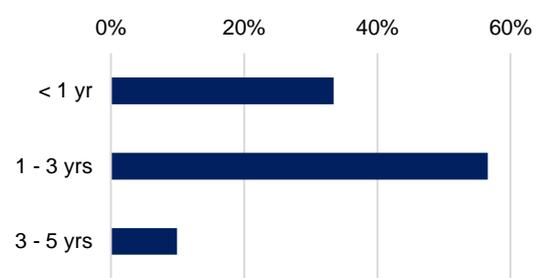
We have continued to cautiously add equity risk to the Fund to maintain its exposure and take advantage of the convexity in the portfolio, which helps us safely buy risk in a falling market and reduce it as markets rise. We remain at the short end of the curve and focused on high-quality Credits, but are starting to look further out as markets begin to price the risk at appropriate levels and yields increase.

Portfolio Analysis⁶

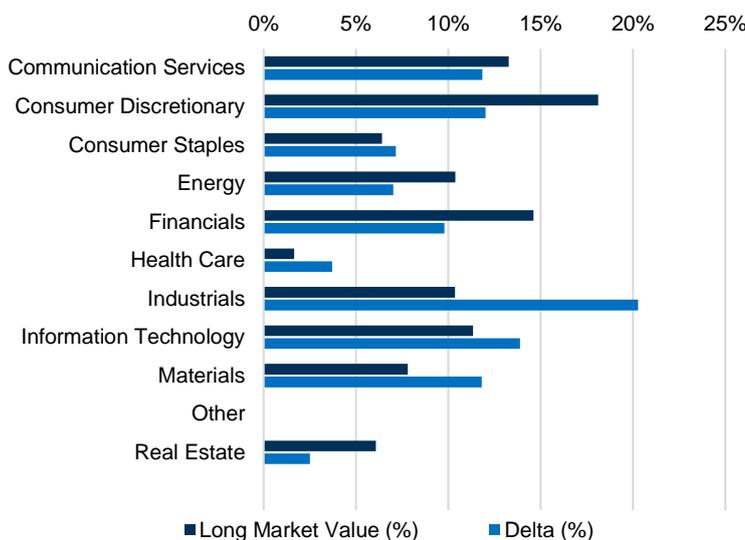
Regional Exposure



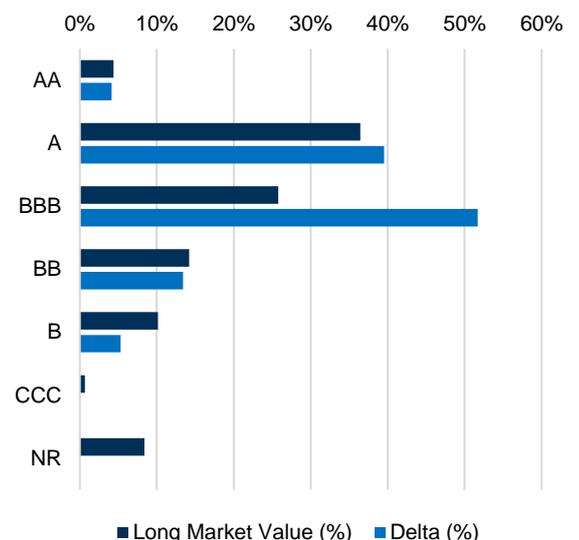
Duration⁷



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.

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.

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

Important Information

The Salar Fund, a sub fund of CQS Funds (Ireland) PLC, was created on 9 September 2022 as a successor of the Salar Fund PLC. The Salar Fund PLC 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 30 Sept. 2022.

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

*SONIA (SP) is compounded daily over the relevant calculation period

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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L22-463 / 10.22

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