

November 2022

Salar Fund

Key Fund Information	
Investment Manager	CQS (UK) LLP
Portfolio Manager	Rupert Mathews
Fund Launch Date	11 February 2008 ***
Fund Size	\$135.23m
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 ¹	
No. of Positions ²	103
Average Current Yield	1.18%
Average Premium	47.46%
Average Delta	34.34%
Average Life	2 years
No. Long CB Positions ²	78
Weighted Average Carbon Intensity ³	180

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 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
- 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 Performance⁴

Past performance does not predict future returns.

	Salar Fund %	Refinitiv Global Focus Hedged Convertible Bond Index (USD) % **	Outperformance %
1 Year	-0.26	-15.27	15.01
3 Years (Annualised)	3.51	2.00	1.50
5 Years (Annualised)	3.00	2.46	0.54
Since Inception (Cumulative)	117.47	99.74	17.72
Since Inception (Annualised)	4.68	4.15	0.52
Annualised Volatility (1 year)	7.13	11.37	-4.24
Annualised Volatility (3 years)	7.68	11.86	-4.18
Annualised Volatility (5 years)	6.46	9.86	-3.40

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)	1.28	3.38		(1.16)
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.

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 launched as an Irish PLC in 2008 and, following a corporate action in September 2022 converted onto CQS' existing UCITS plc umbrella platform.

Fund Commentary⁵

Market

November was a risk-on month across asset classes, with rates lower and equities and credit performing strongly. There was a lot of mean reversion, typified by Asia, where the Hang Seng index was up 26.6% whilst the Nikkei added 1.4%. Western markets were more uniform, although Europe outperformed: the Eurostoxx index gained 8.6%; the S&P, 5.4%, and Nasdaq, 4.4%. Bonds rallied, particularly in the US, where the US 10-year Treasury yield fell 44 basis points (bps); in Credit, Europe's Xover index rallied nearly 100 bps to end the month at 459 bps.

November gains were triggered by a softer-than-expected US CPI print, which led investors to start pricing in peak inflation. Risk assets rallied across the board, with Europe further helped by lower gas prices and talk of a China reopening. Comments about further measures in China to help its property sector caused a substantial rally in Hong Kong.

Convertibles performed well in November, as Cash product started to catch up with spread moves in the indices. Issuance also picked up as markets calmed down; November was the biggest month year-to-date (YTD) - in Europe, the monthly issuance accounted for half of 2022's. Primary activity included certain companies that Salar considers attractively valued and with the potential to offer more attractive returns.

Performances

In this context, the Refinitiv Index gained 3.48%, taking its YTM performance to -14.55%. Salar was up 3.38%, taking its YTD 2022 performance to -1.16%. The Fund's slight underperformance was largely due to its defensive profile and the relative underperformance of Japan. Still, the Fund delivered a strong performance, taking YTD returns nearly flat.

The Fund's Asia and European books performed well, with both making just under 1.5% on the month. Japan contributed 40 bps, and the US, 10 bps. We had 8 positions that made more than 10 bps, with 5 being in Asia, 2 in Europe and one in Japan.

Two positions stand out, starting with Cogard 23s: we added bonds of this Asian property company in the low 20's at the beginning of the month, as some funds were liquidating their positions to avoid having the bond on their balance sheets at year end. However, a stock placement and potential state help prompted a significant rally in both the company's stock and bonds. We partially exited in the low 60's. Whilst this was a small position given the inherent risk, the Fund made 37 bps on the month.

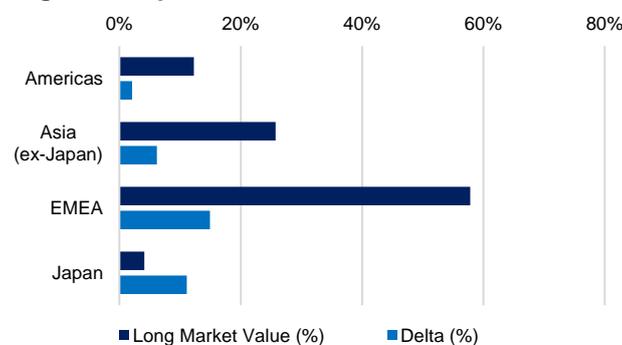
The second significant contributor was Cosmo Oil'22s, which were due to mature this month. With parity at 107, the company launched a tender at 117, which we used to exit the position. This has been a good trade for us over time; while it is sad to see it go, at least it contributed 20 bps in its last month.

Positioning

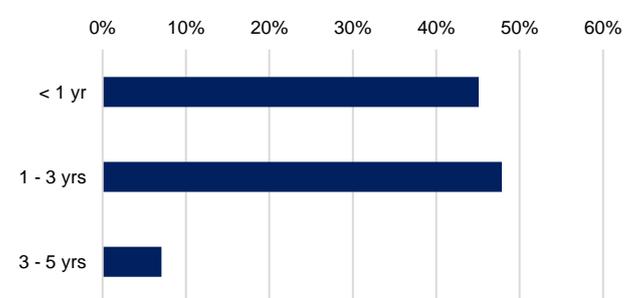
Whilst we have been selling some names into the November rally, the Fund has gained delta; this demonstrates that whilst remaining defensive, Salar will continue to participate in future market rallies.

Portfolio Analysis⁶

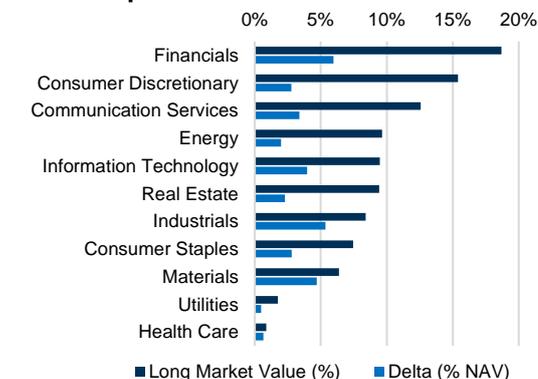
Regional Exposure



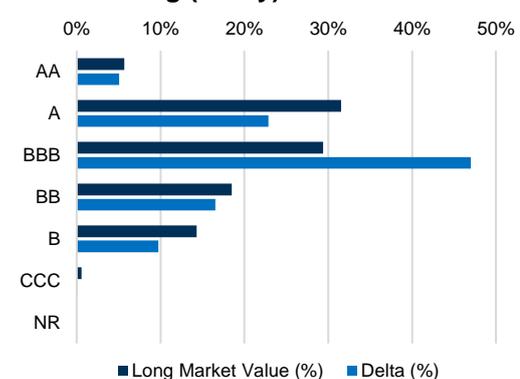
Duration⁷



Sector Exposure



Credit Rating (Proxy)⁸

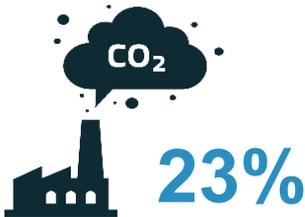


There is no guarantee that the Fund will invest in this way at all or do so in the same manner as set forth in this factsheet. Figures may not sum to 100 due to rounding. The value of securities may go down as well as up, depending on the performance of companies and general market conditions. The value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

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.

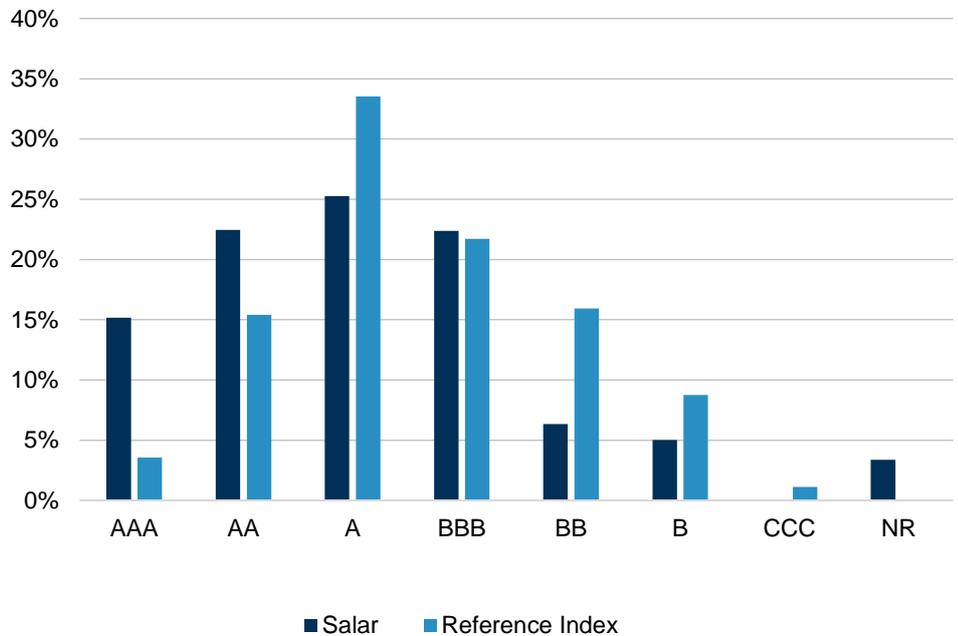
Weighted Average Carbon Intensity (t/\$m revenue)³

180 Fund
234 Refinitiv Global Focus Convertible Index



Lower carbon emission intensity than investing in the broader universe

Fund ESG Rating Breakdown (%)⁹



Weighted Average ESG Rating

A

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.



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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.

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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.

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 other CQS-managed Funds, Futures and Interest Rate Swaps.

²Excludes positions with zero market value.

³Weighted 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.

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.

⁹ESG 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.

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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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 (3ter) 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”) 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.

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