

June 2024

Investor Report

CQS Dynamic Credit Multi Asset Fund

Key Facts

Portfolio Manager	Craig Scordellis and Darren Toner
Inception Date	08 February 2021
Legal Structure	UCITS
Base Currency	GBP
Currency Share Classes	EUR, GBP, USD
SFDR	Article 8
Dealing Frequency	Daily by 1pm Dublin time
Subscriptions and Redemptions	
I Share Class²	£1m (or foreign currency equivalent)
Min. Investment	
Domicile	Ireland
ISIN	GBP IE00BN15XV68 EUR IE00BN15XT47 USD IE00BN15XW75
Bloomberg	GBP CQTRCIG EUR CQTRCIE USD CQTRCIU
SEDOL	GBP BN15XV6 EUR BN15XT4 USD BN15XW7

Key Metrics	Value
Total Fund AUM	\$880.4m
Total Strategy AUM ³	\$8.4bn
Yield to Expected Maturity (% , GBP)	6.05
Weighted Average Credit Spread (bps)	198
Interest Rate Duration (yrs)	3.64
Number of Securities	526
Average Credit Rating ^{4,5}	BBB
Weighted Average Carbon Intensity (t/\$m Sales): Fund ⁶	172
Weighted Average Carbon Intensity (t/\$m Sales): Reference Index ^{6,7}	214
Average ESG Rating ⁸	A
SRRI Score ⁹	4

Description

- A flexible multi-asset credit approach seeking high income across developed markets to achieve attractive risk-adjusted returns
- Actively managed portfolio, focused on delivering daily liquidity and putting investors' capital in the right asset class, geography and sector at the right time
- Targets a net return of 6-8% per annum over the cycle, with single digit volatility¹
- Integrated approach to responsible investment

Performance²

Past performance does not predict future returns. Share class launch dates vary.

	1 Month (%)	3 Month (%)	Year-to-Date (%)	1 Year (%)	Since Inception Annualised (%)	NAV/Share
F EUR	0.58	0.62	1.75	5.18	(0.13)	99.554
F GBP	0.69	0.97	2.42	6.61	1.08	103.742
F USD	0.71	1.02	2.51	6.87	1.17	103.760
FD GBP	0.69	0.96	2.42	6.62	4.43	102.023
I EUR	0.54	0.49	1.50	4.65	(0.35)	98.807
I GBP	0.66	0.84	2.18	6.11	0.68	102.344
I USD	0.67	0.91	2.29	6.39	1.06	103.676

Performance Since Inception of the Fund (F GBP Share Class)²

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2024	0.90	(0.64)	1.18	(1.32)	1.61	0.69	-	-	-	-	-	-	2.42
2023	2.52	(0.58)	1.25	1.42	(1.19)	(0.16)	0.76	(0.05)	(1.95)	(1.29)	4.09	2.59	7.48
2022	(1.37)	(1.47)	0.01	(2.96)	(0.88)	(5.67)	2.66	(0.39)	(3.94)	(0.12)	3.81	(0.04)	(10.22)
2021	-	(0.22)	0.41	1.05	0.39	0.99	0.26	0.59	0.64	(0.17)	(0.31)	1.26	4.97

Commentary Performance

US Rates rallied at the start of June, before strong Non Farm Payroll data caused a sharp sell-off. That sell-off was reversed by a "goldilocks" Consumer Price Index (CPI) print, despite continued hawkish rhetoric from the Federal Reserve. Yields on 10-year US Treasuries bottomed out at 4.20% mid-month, until political risk and active macro data added momentum to a month-end sell-off. In Europe, a month that started with the first interest rate cut of this economic cycle was characterised by ongoing political risk, as the European Parliamentary election result led to a snap election in France. French government bonds (OATs) subsequently traded-off, with the German Bund-OAT spread hitting the highest levels since 2012. French risk assets underperformed, and the CAC 40 closed the month down 5.81%. Meanwhile in the US, equities rallied, with the S&P 500 hitting multiple all-time highs, led by the "Magnificent 7". European Investment Grade (IG) outperformed US IG on total return, but were similar on excess returns, given the rally in German bonds. Spreads moved wider for most of credit apart from US High Yield (HY) which was the best performing asset class in June.

The Fund returned +0.69% in June, in what was a very volatile month for managers. The US IG book contributed positively to Fund relative performance, while underweight to well performing US HY and European IG impacted relative performance negatively. This was offset by the Asset Backed Securities (ABS) Strategy, which provided good outperformance and constitutes ~20% of Fund NAV. The portfolio's conviction books, HY and Financials also provided strong performance.

Fund Positioning

Following the rates rally through the first half of the month, the portfolio removed its rates long position, reducing Fund duration from 4.20 to 3.64 by selling its treasury futures. Capital was re-deployed into the ABS strategy, across M1 CRTs and US Aircraft, as well as \$25m additional Loan TRS. The Fund remains fully invested, with a slightly shorter duration bias and a focus on higher quality income with flexibility to move into any opportunities arising from growing macro volatility.

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.

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. 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 report may be obtained free of charge from the administrator, BNP Paribas Fund Administrator (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.

Portfolio Analysis

Asset Allocation Breakdown	% Long Exposure
Asset Backed Securities	21.3
Cash*	5.4
Corporate Hybrid	0.8
EU High Yield Bonds	7.0
Financials	9.5
Loan Index	7.9
US High Yield Bonds	6.4
US Investment Grade	41.6

*Cash includes short-dated government bonds.

Credit Rating Breakdown ⁴	% Long Exposure
AAA	1.3
AA	8.2
A	25.3
BBB	35.7
BB and below	29.5

Top 10 Country Exposures	% Long Exposure
United States	59.9
PanEuropean	10.9
United Kingdom	7.0
France	5.4
Germany	3.3
Spain	2.4
Canada	2.1
Italy	1.6
Japan	1.2
Netherlands	1.1

Top 10 Industry Exposures	% Long Exposure
CLO	10.9
Banks	9.6
Agency	8.2
Broad Market Indices	7.9
Oil, Gas & Consumable Fuels	6.3
Sovereign	5.4
Insurance	4.5
Hotels, Restaurants & Leisure	3.1
Media	2.9
Diversified Telecommunication Services	2.9

ESG Rating Breakdown ⁸	% Rated
AAA	7.0
AA	28.7
A	36.5
BBB	19.4
BB	6.2
B	2.0
CCC	0.2

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 and the use of efficient portfolio management techniques.

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

Source: CQS as at 28 June 2024.

¹Target 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. For the purposes of this factsheet, we consider the "cycle" to be 5-10 years.

²Class returns are calculated net of fees and expenses and with all dividends and income reinvested on the basis of a holding 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. The Fund launched on 8 February 2021. Investors should note that the base currency of the Fund is UK Sterling. Individuals 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. Class F GBP, I GBP, F EUR, I EUR and I USD launched on 8 February 2021. Class FD GBP launched on 2 May 2023. Class F USD launched 25 May 2021. Please be advised that the F share class is closed to investors.

³Strategy Assets are estimated and represent assets held across CQS-managed funds (including bespoke mandates) where similar multi-asset credit investment strategies are employed. The provision of an overall Strategy Asset AUM is for illustrative purposes only and is intended to show solely the size of the asset classes managed by CQS where the investment strategy is the similar.

⁴Internal credit ratings and subsequently spread ratings are used where externally sourced credit ratings are not available. Cash allocation is rated according to the issuer rating of the custodian bank.

⁵Weighted Average Rating: positions are weighted according to BEE (Bond Equivalent Exposure (BEE): for equity and debt instruments, the market value of the position, and for derivatives, the notional adjusted by the market value of the position).

⁶Weighted 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.

⁷The Reference Index is the ICE BoA Developed Markets High Yield Index (HYDM).

⁸ESG 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.

⁹SRRI score stands for Synthetic Risk and Reward Indicator.

All market data sourced 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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