Marketing Communication
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Investor Report

October 2024

Manulife | CQS Investment Management

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 Subscriptions and Redemptions	Daily by 1pm Dublin time
I Share Class[2] Min. Investment	£1m (or foreign currency equivalent)
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	$951.8m
Total Strategy AUM[3]	$8.8bn
Yield to Expected Maturity (%, GBP)	5.59
Weighted Average Credit Spread (bps)	149
Interest Rate Duration (yrs)	4.63
Number of Securities	583
Average Credit Rating[4,5]	BBB
Weighted Average Carbon Intensity (t/$m Sales): Fund[6]	160
Weighted Average Carbon Intensity (t/$m Sales): Reference Index[6,7]	212
Average ESG Rating[8]	A
SRRI Score[9]	3

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 volatility[1]
- Integrated approach to responsible investment

Performance[2]

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	(0.99)	1.02	4.48	11.34	0.59	102.219
F GBP	(0.86)	1.39	5.67	12.84	1.83	107.032
F USD	(0.87)	1.42	5.82	13.08	1.98	107.112
FD GBP	(0.85)	1.39	5.66	12.84	5.60	103.651
I EUR	(1.03)	0.89	4.04	10.79	0.34	101.278
I GBP	(0.89)	1.28	5.25	12.31	1.42	105.427
I USD	(0.90)	1.31	5.43	12.57	1.79	106.860

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	1.76	0.97	1.28	(0.86)			5.67
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

October was a difficult month for financial markets as strong macroeconomic data and elevated geopolitical events combined to spark a sustained bond and equity sell-off. US Treasuries, that had weakened during the second half of September, continued that theme in the first few days of October before unexpectedly strong employment figures catalysed the move higher in yields. 10 year Treasury yields closed above 4% for the first time since July and remained at that level. Several data points, including higher than expected Consumer Price Index (CPI) data, pushed investors to dial back expectations of rate cuts. 10 year Treasury yields rose +50bps to finish October at 4.28%. European rates held in better than their US counterparts as data continued to show a sluggish economic backdrop. The European Central Bank cut a further 25bps at their October meeting, marking the first back-to-back cuts of this cycle. UK Gilts underperformed other European rates with a sharp sell-off at the end of the month following the UK Budget. European High Yield (HY) was the best performing asset class with a total return of 74bps in October. Conversely US Investment Grade (IG) returned -2.34% as treasury moves weighed on performance, supporting the general theme of Europe over the US, and floating rate credit outperforming on the month.

The Fund was down 88bps on the month, however it outperformed market indices in October, primarily due to the overweight exposure to European credit in the stronger rates environment. Underweight allocations to US HY and European IG were supportive for relative outperformance and the c.33% of Fund NAV allocated to floating rate instruments helped support returns during the weaker credit markets.

Fund Positioning

The duration of the Fund was raised as interest rates sold off. The Fund's allocation to Loan Total Return Swaps was increased from 7.5% to 13%. CLO exposure was also marginally increased as interest rate cuts have been priced out of the curve. The Fund maintains a large allocation to liquid credit via the US IG and US BB-B strategies, and a defensive bias to higher-quality, high income credit.

Portfolio Analysis

Asset Allocation Breakdown	% Long Exposure
Asset Backed Securities	17.2
Cash*	15.5
Corporate Hybrid	0.5
EU High Yield Bonds	8.1
Financials	8.7
Loan Index	10.7
US High Yield Bonds	9.2
US Investment Grade	30.1

*Cash includes short-dated government bonds.

Credit Rating Breakdown[4]	% Long Exposure
AAA	4.5
AA	14.0
A	18.2
BBB	28.8
BB and below	34.6

Top 10 Country Exposures	% Long Exposure
United States	58.6
PanEuropean	11.3
Germany	8.0
United Kingdom	6.5
France	5.0
Spain	2.2
Italy	1.6
Netherlands	1.4
Canada	1.1
Austria	0.6

Top 10 Industry Exposures	% Long Exposure
Sovereign	15.5
CLO	11.3
Broad Market Indices	10.7
Banks	9.5
Agency	4.2
Oil, Gas & Consumable Fuels	4.0
Insurance	3.6
Hotels, Restaurants & Leisure	2.5
Diversified Telecommunication Services	2.5
Pharmaceuticals	2.4

ESG Rating Breakdown[8]	% Rated
AAA	7.6
AA	29.0
A	35.6
BBB	17.5
BB	8.2
B	2.0
CCC	0.1

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 us 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 31 October 2024.

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

[2]Class 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.

[3]Strategy 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.

[4]Internal 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.

[5]Weighted 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).

[6]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. 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.

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

[8]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.

[9]SRRI 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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