

Investor Report

January 2025 Salar Fund

Key Fund Information

Investment Manager	CQS (UK) LLP	
Portfolio Manager	James Peattie and team	
Fund Launch Date *	11 February 2008	
Fund Size	\$61.0m	
NAV Per Share	209.88 (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	IE000DY06J66
	C1 GBP D Inc	IE000FJXQWQ6
	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 Characteristics¹

No. of Positions ²	68
Current Yield	1.2%
Average Premium	57.6%
Average Delta	35.1%
Average Life (years)	1.77
Weighted Av. Rating	BBB
Weighted Average Carbon Intensity ³	165
Average ESG Rating ⁴	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.

Investment Aim

Seeking wealth preservation and growth.

Absolute Return

Salar has an Absolute Return focus. Salar aims to preserve and grow investor capital through a carefully selected portfolio of Global Convertible Bonds valued near to their bond floor with upside optionality.

Performance

Salar has outperformed the Refinitiv Global Focus Hedged Convertible Bond Index over 3 years, 5 years and since inception, with significantly less volatility.**

Trailing Net Performance⁵

Past performance does not predict future returns.

	Salar Fund ***	Refinitiv Global Focus Hedged Convertible Bond Index (USD) **	Outperformance
1 Year Return	8.18	12.57	-4.39
3 Year Return Annualised	5.20	2.21	2.98
5 Year Return Annualised	5.15	4.10	1.05
SI Return Annualised	4.95	4.66	0.29
Annualised Volatility (1 year)	2.75	6.14	3.39
Annualised Volatility (3 year)	4.78	9.91	5.13
Annualised Volatility (5 year)	6.24	10.69	4.44

Monthly Net Performance (%)⁵

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
2025	1.18												1.18
2024	0.25	1.45	1.33	(0.40)	(0.23)	(0.29)	0.63	0.88	2.23	0.49	0.27	0.40	7.20
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

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 Commentary⁶

Market Overview

Global stock markets started the year on a strong footing following weakness into the 2024 year-end. The S&P rallied 2.7%, while Nasdaq lagged, up 1.6%, as certain large cap technology names, notably Nvidia, fell on the release of the Chinese DeepSeek AI model. The model is reported to be competitive with US models while developed on less advanced hardware at a much cheaper cost. Some other sectors which may be affected from possible lower demand for high-end computing as result also saw weakness, for example electrification names on the risk of less power being required.

European markets strongly outperformed, with the Eurostoxx SX5E index rising 8.0%, largely on expectations of more aggressive European Central Bank interest rate cuts moving forward, and also partially reversing the quite extreme underperformance of European markets versus the US in the second half of last year. Asian markets were generally muted, the Nikkei falling 80bps with the Hang Seng rising by 80bps. Tariff concerns weighed on the broader region, with some large cap technology names also caught up in the technology sell-off toward month-end.

Having risen toward the start of the year, US government bond yields fell back to end the month little changed. Credit spreads tightened somewhat on the month, the US CDX 5-year spread falling from 311 to 300, while in Europe the iTraxx Crossover index tightened from 313 to 288.

Performance

In January, all regions contributed positively to Fund performance, led by Europe. On a sector level, Consumer Discretionary and Communication Services were the most significant contributors to Fund performance, while Materials, Health Care and Information Technology detracted.

The top three single name contributors on the month were the Japanese financial services group SBI Holdings, the Swedish audio streaming service Spotify, and Nippon Konpo, a subsidiary of the Japanese group Nikkon Holdings.

The top three single name detractors on the month were the Japanese parking operator Park24, the Japanese chemical company Showa Denko, and Daifuku, the Japanese logistic technology group.

Issuance

New issuance was modest in January, with \$3.2bn of new convertible issuance priced, driven by the US and Asia. We expect issuance to pick up again post the Q4 earnings blackout period and as the market more broadly incorporates and adapts to global policy changes. We believe the apparent environment of structurally higher interest rates, especially in the US, is a long term positive for convertible issuance and for coupon rates.

Positioning

The Fund was active during the month exiting a number of positions at or ahead of maturity or put, especially in Europe, and selectively reducing certain US holdings. The Fund also increased its position in a number of securities which we believe complement the portfolio well, including AirBNB 0% 2026, American Water 3.625% 2026, DHL ex-Deutsche Post 0.05% 2025, Expedia 0% 2026, Klepierre (Simon Property) 3.5% 2026, Shaftesbury (CapCo) 2% 2026, Total (BAML) 0% 2026 and opened a new position in Trainline 1% 2026. The Fund also adjusted its equity hedge in a Japanese name.

Outlook

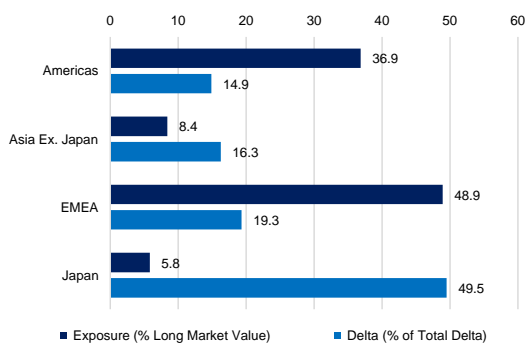
Salar is defensively positioned with short duration at ~1.8 years weighted average life, ~1.0 years effective duration, and so is well shielded from any weakness in long bonds should this arise given global fiscal uncertainty. The Fund's weighted average credit rating of BBB which, combined with this short duration, means that the negative impact of any widening in credit spreads on the Fund is expected to be very modest. The portfolio sits at only an average ~3% above bond floor, meaning that the Fund is well positioned to absorb any downside in equity markets with very modest P&L impact. Salar's flexible investment toolkit includes use of selective equity hedge positions, options and interest rate hedges all of which are complementary to the natural positive asymmetry of convertibles and are especially valuable in more volatile markets. Greater moves and dispersion in equity markets and in individual equities can especially benefit Salar's portfolio, given the Fund's focus on downside protection and ability to capture upside through attractive optionality.

We believe that Salar's Japanese exposure represents highly attractive embedded value and optionality. After decades in the doldrums, Japanese markets appear to be stirring and garnering interest. Salar is positioned in a portfolio of 'ASCOT' asset-swapped Japanese convertibles which we see as potentially highly valuable. By using ASCOTS, the Fund owns the option on these convertible positions where downside is limited to the capital committed to the ASCOT options. We see extra economic value in these options as Japanese banks generally price Japanese credit much tighter than global markets do. The ASCOT positions take advantage of this tight credit pricing, which in turn means the options are more cheaply priced.

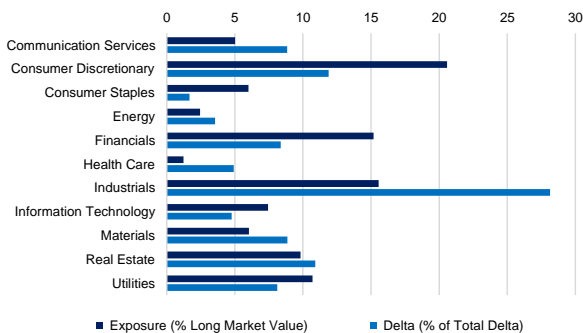
In short, we think the Fund is well placed for wealth preservation in less favourable market conditions should they develop, while maintaining upside optionality should economies and markets continue to develop favourably.

Portfolio Analysis

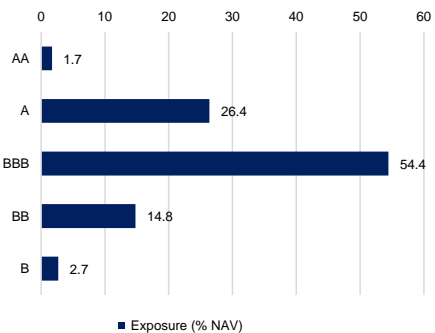
Regional Exposure



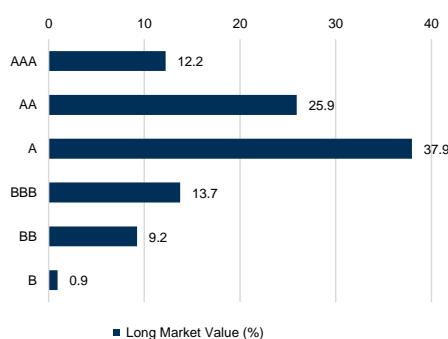
Sector Exposure



Credit Rating (Proxy)⁷



ESG Rating Breakdown^{4,8}



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.

IMPORTANT INFORMATION:

Sources: CQS as at 31 January 2025.

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.

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. 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.

⁴ESG 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.

⁵Returns 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.

⁶The Fund may have since exited some or all of the positions detailed in this commentary. Includes data sourced from Bloomberg.

⁷Credit 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.

⁸ESG ratings may not sum to 100% due to rounding.

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PRI Note: PRI is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMv11.

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