

Investor Report

February 2025 Salar Fund

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 ***	Refinitive Global Focus Hedged Convertible Bond Index (USD) **	Outperformance
1 Year Return	8.04	12.04	-4.36
3 Year Return Annualised	5.84	3.07	2.77
5 Year Return Annualised	5.98	4.50	1.48
SI Return Annualised	5.00	4.67	0.33
Annualised Volatility (1 year)	2.71	6.15	3.44
Annualised Volatility (3 year)	4.77	9.82	5.05
Annualised Volatility (5 year)	6.10	10.66	4.55

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	1.33											2.52
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
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)

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.

Key Fund Information		
Investment Manager	CQS (UK) LLP	
Portfolio Manager	James Peattie and team	
Fund Launch Date *	11 February 2008	
Fund Size	\$63.0m	
NAV Per Share	212.66 (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	IE000DYO6J66
	C1 GBP D Inc	IE000FJXWQ6
	E1 CHF	IE0001K7QFH1
	E1 EUR	IE00B520F527
	E1 EUR D Inc	IE00BBR6N535
	E1 GBP D Inc	IE00BBR6N758
	E1 USD	IE00B50WOL11
	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 Characteristics ¹	
No. of Positions ²	68
Current Yield	1.1%
Average Premium	54.3%
Average Delta	32.5%
Average Life (years)	1.69
Weighted Av. Rating	BBB+
Weighted Average Carbon Intensity ³	170
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.

Fund Commentary⁶

Market overview

European and Hong Kong stock markets led global equity returns in February, with the Euro Stoxx 50 rising by 3.3% and the Hang Seng index notably strong at +13.4% on the month. US equities were dragged lower by weakness in large-cap technology names, with the Nasdaq down 4.0% and the S&P down 1.4%. Tariff and broader policy uncertainty combined with mounting concerns over weakening US growth appeared to be influencing markets. The Nikkei was weak notwithstanding strength elsewhere in Asia, down 6.1%.

Credit spreads in HY and IG in both Europe and the US were little changed on the month. Bond yields fell somewhat, with the US ten-year yield falling by ~30bps from 4.5% to 4.2%.

Given the strength in Hong Kong and China, Asia (ex-Japan) convertible markets led strength in February. Defying the selloff in US large-cap tech and the looming risk of a trade war, Asia's rally was led by e-commerce giant Alibaba and other technology-related names on AI-driven optimism. European convertible markets were also strong, while Japanese convertibles were generally slightly weak following equity markets. US convertible markets meaningfully underperformed on mounting concerns over slowing economic growth, weakness in large-cap tech, and a drawdown in cryptocurrency-linked names amid a broader shift to more defensive assets.

Performance

In February, Salar's Asian positions contributed most to returns, followed by US and European holdings. Japan detracted slightly. At a sector level, Consumer Discretionary holdings contributed most, followed by Communication Services and Industrials. Information Technology and Health Care holdings detracted.

At a single name level, Alibaba was the top performer, followed by Japanese logistics name Daifuku, and Spotify. The largest detractors were Japanese on the broader market weakness - medical equipment company Nipro Corp, chemicals name Resonac and semiconductor group Ferrotec - though these were all individually modest, around 10bps or less at a Fund level.

Issuance

While new convertible issuance had started modestly in 2025 amid high levels of macro and geopolitical uncertainty, the pace improved in February coming out of US Q4 earnings blackouts. Globally, \$6.3bn was priced last month, about double January's total, largely dominated by the US (\$5.3bn), including a number of refinance deals and another tranche from MicroStrategy (MSTR).

Positioning

Salar's main activity during the month was select sales to reduce delta after strong performance, consistent with the Fund's long-term process of harvesting gains and managing risk. Reductions were made to positions in Alibaba (GS) 0% 2027, Kingsoft 0.625% 2023-25 and Ping An 0.875% 2027-29. We reduced Spotify 0% 2026, also after strong performance. The Fund also exited French renewable energy name Neoen SA 2.875% 2027 on an improved offer from Brookfield. We sold South Korean internet name Kakao 2.625% 2027-29 back to the company. The Fund deployed selective equity hedges against the convertibles of Nikkon Holdings, Daiwa House Industry and Daifuku Co Ltd.

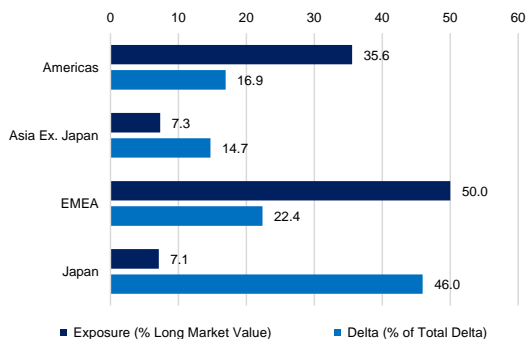
The Fund participated in the primary market in Bridgebio 1.75% 2031 144a and Japanese Rohto Pharmaceutical 0% 2032, the latter of which we will asset swap into a listed warrant position to take advantage of an attractive credit bid.

Outlook

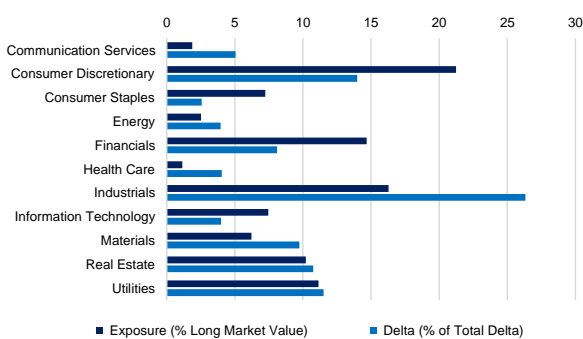
Salar is defensively positioned with short effective duration at ~1.1 years and so is well shielded from any weakness in long bonds should this arise given global fiscal uncertainty. The Fund's weighted average credit rating of BBB, combined with this short duration, means that the negative impact of any widening in credit spreads on the Fund is expected to be very modest. The Fund is positioned relatively near to bond floor with the aim to absorb any downside in equity markets with modest expected performance 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. 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

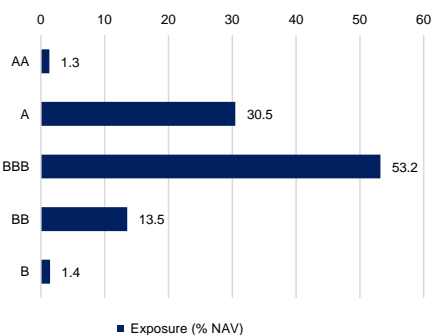
Regional Exposure



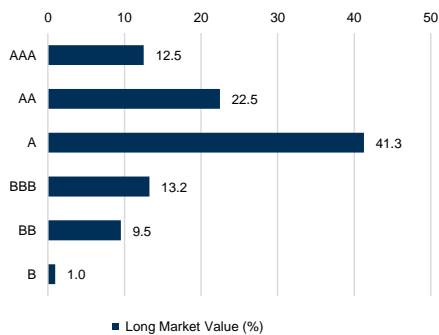
Sector Exposure



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

Salar Fund - Monthly Factsheet - February 2025

IMPORTANT INFORMATION:

Sources: CQS as at 28 February 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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