

Investor Report

June 2024

Salar Fund

Key Fund Information	
Investment Manager	CQS (UK) LLP
Portfolio Manager	Robert Coe
Fund Launch Date *	11 February 2008
Fund Size	\$79.0m
NAV Per Share	197.61 (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 IE00DY06J66 C1 GBP D Inc IE00FJXQWQ6 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 Characteristics ¹	
No. of Positions ²	75
Weighted Portfolio Yield ³	4.5%
Current Yield	2.0%
Average Premium	82.0%
Average Delta	30.7%
Average Life (years)	1.61
Weighted Av. Rating	BBB+
Weighted Average Carbon Intensity ⁴	169
Average ESG Rating ⁵	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.

The Salar Fund has outperformed the Refinitiv Global Focus Hedged Convertible Bond Index over 3 and 5-year periods, and since inception, with significantly 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)

Trailing Net Performance⁶

Past performance does not predict future returns.

	Salar Fund ***	Refinitiv Global Focus Hedged Convertible Bond Index (USD) **	Outperformance
1 Year Return	4.19	4.20	(0.01)
3 Year Return Annualised	2.41	(3.77)	6.18
5 Year Return Annualised	4.51	3.40	1.11
SI Return	137.78	116.93	20.86
SI Return Annualised	4.77	4.26	0.52
Annualised Volatility (1 year)	3.19	9.55	(6.36)
Annualised Volatility (3 year)	4.89	9.82	(4.92)
Annualised Volatility (5 year)	6.28	10.52	(4.24)

Monthly Net Performance (%)⁶

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
2024	0.25	1.45	1.33	(0.40)	(0.23)	(0.28)	-	-	-	-	-	-	2.11
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.

Fund Commentary⁷

June was a mixed picture, with a continuation of the narrow US mega-cap rally contrasting with weakness in Europe after snap French elections sparked market concerns. This led to the French CAC 40 Index falling -6.4% on the month and hampering broader European returns. In the US, economic data continued to soften, increasing hopes around the path to lower rates, while in Europe the European Central Bank cut rates for the first time in five years. Performance in Asia was mixed, with China giving back last month's gain while Japanese stocks broadly improved.

US stocks led overall global equity markets higher again in June, with the Nasdaq up +6.0% and the S&P 500 up +3.5%, while the small/mid-cap Russell 2000 fell -1.1%. US stock returns remained narrow, with just a handful of mega-cap tech names like Nvidia, Apple and Microsoft making up for the majority of index gains. So far in 2024, the Nvidia stock alone has accounted for a third of the total gain on the S&P 500. In Europe, political concerns were at the forefront, driving the Eurostoxx down -1.8% and the FTSE 100 down -1.3%. In Asia, the Taiwanese Index closed up +8.8% while Hong Kong stocks fell, with the Hang Seng closing down -2.0% on the month. In Japan, the larger cap stock indices were higher, with the Nikkei 225 up +2.8% and the Topix up +1.3%. Overall, the MSCI World Index was up +1.9%, while the MSCI World Index ex-US was actually down -1.8%. Away from equities, credit was wider with 5yr XOVER +24bps to 319 and 5yr Investment Grade (IG) +8bps to 6, while the bond market improved again with 5yr US Treasuries +0.7pt, German 5yr Bunds +1.1pt and the 5yr UK Gilt +0.9pt. The US VIX Index (a popular measure of expected volatility) was unchanged around low levels of 12, while the VSTOXX in Europe climbed from 14 to 18 reflecting the increased political uncertainty.

Salar returned -0.28% in June, which leaves it currently up +2.11% year-to-date (versus the Refinitiv Focus Index up +0.53% in June and up +0.58% year-to-date). Salar has outperformed the Refinitiv Focus Index by +1.53% year-to-date. Salar underperformance versus the Refinitiv Focus Index in June was mostly driven by electric vehicle maker Rivian (CCC rating), who announced a joint venture with Volkswagen that included an injection of much needed capital. With Rivian stock jumping +23%, these large and distressed Convertible bonds ended up contributing more than two-thirds of the total index gain on the month.

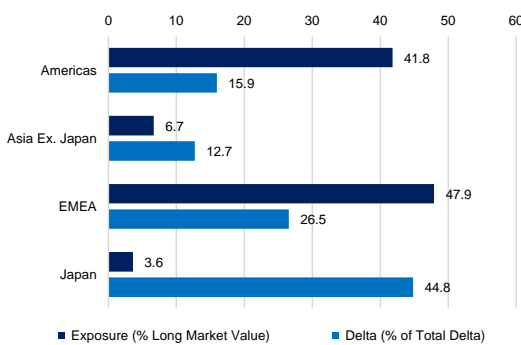
In June, the main drag for Salar on performance came almost entirely from Europe (-0.26%) whilst the US, Asia (ex-Japan) and Japan were all approximately flat. The Fund had no names that either contributed more than 10bps or cost Salar more than -10bps. We used the weakness in Europe to selectively add to some high-quality credit names like Mercedes-Benz, LVMH and TotalEnergies, and started a position in the new Schneider Electric Convertible Bond. In Japan, we added to both Rohm (Semi) and Nagoya Rail on attractive profiles and stock entry points.

The Primary market had another good month in June, with \$13bn of global convertible issuance, again dominated by U.S. and Asian issuers. This month's Convertible Bond issuance was more than double the issuance in June last year and we are now currently +50% above 2023's issuance run rate. Convertible Bond volumes remain extremely healthy with U.S. TRACE posting its second busiest June ever. Names coming to the market in June included a \$2bn issue from Zijin Mining, a \$1.5bn issue from Trip.com, and a \$925m issue from Xero (all Asia). In the US, there was paper from Itron, Charter Communications, UGI Corp, and another deal from MicroStrategy (the third this year). In Europe, there was a new €750mm Schneider Electric CB (alongside a premium buyback of their ITM CB), and in Japan a new small deal from restaurant group Toridoll Holdings.

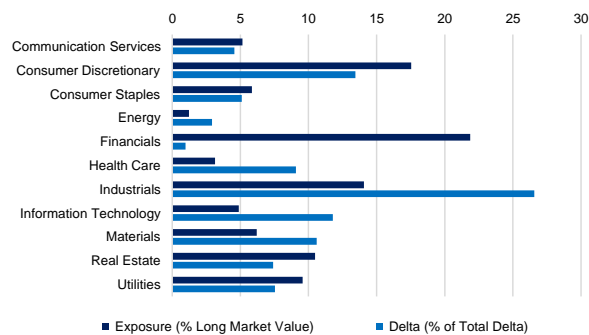
Elections continue to reshape the political landscape both in Europe and, looking ahead, the US elections in November. We also have Q2 earnings to start in the U.S. in mid-July. With uncertainty surrounding the viability of the narrow rally in AI-drive markets, Salar remains defensively positioned focusing on higher quality credits (when lower quality ones seem "priced for perfection" in many cases here), positive carry (income), and high convexity (upside) through attractive convertible profiles.

Portfolio Analysis

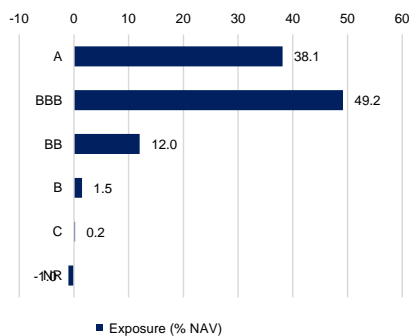
Regional Exposure



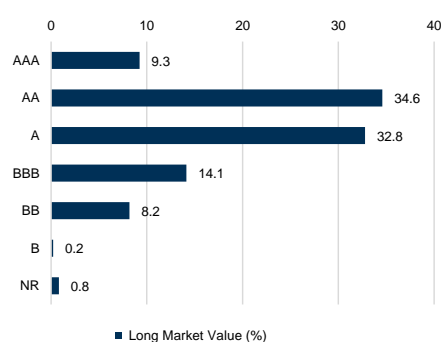
Sector Exposure



Credit Rating (Proxy)⁸



ESG Rating Breakdown^{5,9}



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 28 June 2024.

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.

³Total Portfolio Yield to Maturity is the total unannualised unrealised yield the Fund will achieve when the positions are held to maturity and is calculated as: Yield to Maturity x Time to Maturity x %NAV. Distressed positions are excluded. Positions with YTM >20%, will be capped at 20%.

⁴Weighted 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.

⁵ESG 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.

⁶Returns 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.

⁷The Fund may have since exited some or all of the positions detailed in this commentary. Includes data sourced from Bloomberg.

⁸Credit 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.

⁹ESG ratings may not sum to 100% due to rounding.

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. GMv11.

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