

Investor  
ReportApril 2024  
Salar Fund

Key Fund Information	
Investment Manager	CQS (UK) LLP
Portfolio Manager	Robert Coe
Fund Launch Date *	11 February 2008
Fund Size	\$81.1m
NAV Per Share	198.65 (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 <sup>1</sup>	
No. of Positions <sup>2</sup>	78
Weighted Portfolio Yield <sup>3</sup>	3.8%
Current Yield	1.2%
Average Premium	70.7%
Average Delta	33.5%
Average Life (years)	1.70
Weighted Av. Rating	BBB+
Weighted Average Carbon Intensity <sup>4</sup>	174
Average ESG Rating <sup>5</sup>	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 Performance<sup>6</sup>

Past performance does not predict future returns.

	Salar Fund ***	Refinitiv Global Focus Hedged Convertible Bond Index (USD) **	Outperformance
1 Year Return	6.26	6.39	(0.13)
3 Year Return Annualised	2.47	(4.14)	6.61
5 Year Return Annualised	4.48	2.93	1.55
SI Return	139.04	112.87	26.17
SI Return Annualised	4.85	4.19	0.66
Annualised Volatility (1 year)	3.29	10.12	(6.83)
Annualised Volatility (3 year)	4.89	9.82	(4.92)
Annualised Volatility (5 year)	6.36	10.66	(4.31)

Monthly Net Performance (%)<sup>6</sup>

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)	-	-	-	-	-	-	-	-	2.65
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 Commentary<sup>7</sup>

April was a tough month for both equities and fixed income, as persistent inflation and resilient economic data resurrected the 'higher for longer' theme for rates. Over the month, the market's expectations around the timing for US rate cuts were pushed out, hurting interest rate-sensitive sectors such as small caps and leading to the relative outperformance of value over growth. Commodities were the best performing asset class in April, as the danger of escalation in the Middle East boosted prices, helping the energy heavy UK stock market and increasing investor interest in low valued Chinese equities. It was also a busy month for Q1 earnings, and whilst companies have broadly beat expectations, markets were more willing than usual to punish companies that missed.

Stocks retreated in April, led by the US with the Nasdaq down -4.4%, the S&P 500 down -4.2%, and the mid-cap Russell 2000 down -7.1%. The MSCI Unprofitable Tech Index (MSXXUPT) was down -9.1% on the month, as higher rates took a toll. Europe somewhat outperformed, with the Eurostoxx down -3.2% and the FTSE 100 gaining +2.4%, while in Japan, concerns around Yen weakness caused the Nikkei to fall -4.9%. Asia was a rare positive spot, with the Hang Seng jumping +7.4% on the month, boosted by some value hunting by investors. Overall, MSCI World equities were down -3.9% in April. Away from equities, credit was wider with 5yr XOVER +21bps to 318 and 5yr Investment Grade (IG) +2bps to 56 while the bond market sold off with the 5yr US Treasury -2.5pt, the German Bund 5yr -1.5pt and the 5yr UK Gilt -2.1pt on the month. The VIX Index (a popular measure of expected volatility) rose from 12 to 16 reflecting the increased uncertainty.

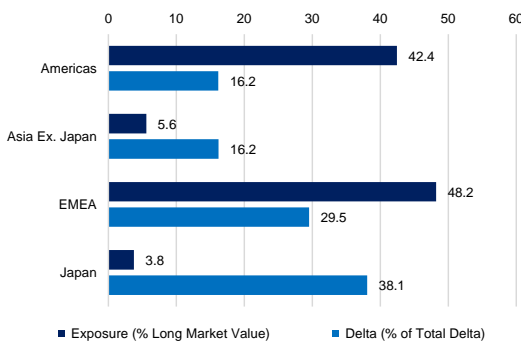
Salar returned -0.4% in April which leaves it currently +2.7% year-to-date (versus the Refinitiv Focus Index -2.4% in April and -1.3% year-to-date). Salar has outperformed the Refinitiv Focus Index by +4.0% year-to-date. On the month, Salar generated income from its Asia ex-Japan exposure (+0.34%), but gave back some regional gains in Japan (-0.42%) and the US (-0.29%), with Europe approximately flat. Salar had one name that contributed more than 10bps to performance in April (Bosideng: +0.19%) while there was only one name that cost Salar more than -10bps (GMO Payment: -0.11%). Year-to-date, Salar has made a positive return from every region, and overall there are twelve names that have contributed more than 10bps to performance, but only one that has cost more than -10bps (Lufthansa -0.13%). Having taken some previous profits on names that had performed well, Salar was able to look for names to add into the weakness during the month.

The primary market was slightly quieter in April, with \$3.7bn of global issuance, led by Japan (\$2bn) which is having its busiest start to a year for 20 years. Names coming to the convertible bond market in April included Resonac and Rohm (Japan), DocMorris and Medartis (Europe), Vertex (US) and Kakao (Asia ex-Japan). Convertible bond volumes remain very healthy, but April did see a slowdown in trading turnover on lower US issuance and the focus on Q1 earnings.

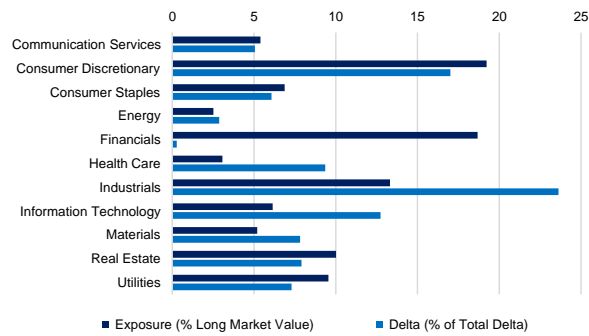
Despite the market sell-off in April, and especially the pullback in Japan where Salar has a larger equity exposure, it was pleasing to see the Fund continued to demonstrate its defensive qualities, helping it outperform both stocks and fixed income even after the positive start to the year. The relatively high convexity in the Fund allowed us to slowly add risk into the correction, keeping its delta around 6% below the broader market but with less than half the distance to bond floor. April has shown us that the rally in risk assets might not be all plain sailing and that inflation in many regions remains sticky while geopolitical tensions are high. We believe Salar identifies some of the best opportunities in the convertible market with a portfolio that offers both high defensive qualities and also significant upside, allowing investors to maintain an equity exposure but with lower volatility.

## Portfolio Analysis

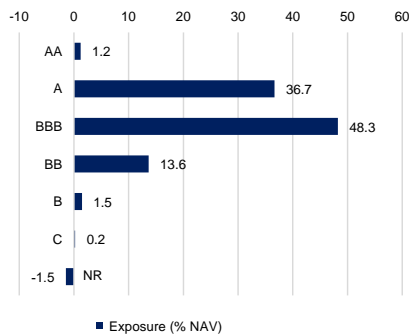
### Regional Exposure



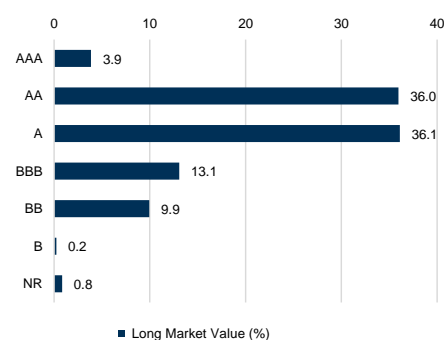
### Sector Exposure



### Credit Rating (Proxy)<sup>8</sup>



### ESG Rating Breakdown<sup>5,9</sup>



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 30 April 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.

<sup>1</sup>Excludes investments in Futures and Interest Rate Swaps.

<sup>2</sup>Excludes positions with zero market value.

<sup>3</sup>Total 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%.

<sup>4</sup>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.

<sup>5</sup>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. ESG Rating Analysis: MSCI ESG Research LLC. Please see MSCI Disclaimer at the end of this report.

<sup>6</sup>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 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.

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

<sup>8</sup>Credit 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.

<sup>9</sup>ESG 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](http://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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