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Q3 2020 Deep Dive

CQS Credit Multi Asset Fund (CMA)



Signatory of:



All investors should ensure that they have received and read the latest Offering Documentation and Pre-Investment Disclosure document which is available from CQS at cqsclientservice@cqs.com

Summary



Portfolio Summary

- CMA's objective is to achieve a target return of Libor+4–5% p.a. with single digit volatility¹
- CMA is a long-only, actively managed global credit portfolio
- Invests predominantly across Loans, High Yield and Financials, Asset Backed Securities and Convertible Bonds
- Maintains low interest rate duration (capped at two years) and does not use financial leverage²

Performance Update³

Annualised Since Inception (%)	Sharpe Since Inception	H1 2020 Return (%)	Q3 2020 Return (%)	CYTD to end June (%)
3.82	0.51	(6.40)	3.30	(3.31)

Q3 2020 Performance

- While the quarter was strong for risk assets, credit markets saw heightened volatility towards the end of the period, as renewed government action to attempt to control the rising incidence of Covid-19, the failure of lawmakers to agree on another stimulus bill in the US and rising tensions between the US and China ahead of the US elections took their toll on investor sentiment
- All asset classes contributed to returns. Loans performed well (+1.45%) with both the European and US books contributing to returns. Although High Yield (+0.65%) saw some mark-to-market volatility in September, our US and European books performed well over the quarter as a whole. European BB and BBB rated CLOs, US Credit Risk Transfer and European Regulatory Capital securities contributed to a positive performance from ABS (+0.55%), followed by Financials (+0.35%) and Convertibles (+0.27%). Investment grade Corporate Credit (+0.11%) generated a modest but positive return
- Some 39% of returns came from Europe, with the majority of the remainder from the US and a small contribution from Asia
- The changing structure of credit markets, and increasing focus on geopolitical risk, particularly amongst debt trading desks, means that mark-to-market volatility is no longer necessarily a guide or proxy for potential loss risk in portfolios. September highlighted this with concerns relating to geopolitics causing mark-to-market losses on the debt of fundamentally strong businesses
- Looking longer term, we remain focused on bottom-up fundamental research, ensuring we are able to continue to navigate the risks associated with a rise in corporate defaults. We remain confident that, despite these mark-to-market moves, the companies we lend to have sufficient cash flow generation and liquidity to pay the interest and principal on their debt. With the level of income available, alongside unusually attractive capital gains (as a result of the volatility), parts of the sub-investment grade credit market remain highly attractive in our view, and with its flexibility, we believe that the investment prospects for Multi Asset Credit remain excellent in this environment

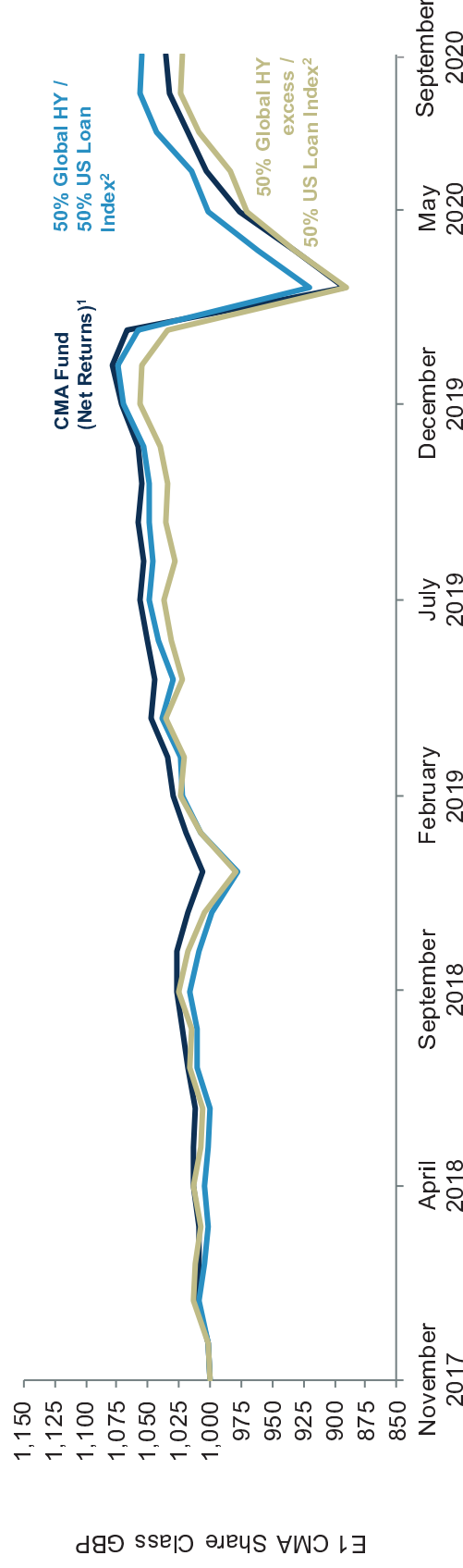
Please note, the Performance Index GBP is a theoretical, non-investable share class. It is made up of a series of share classes in order to demonstrate the longest consistently available track record for the Fund. A breakdown of the index formulation is included at the end of the presentation.

Source: CQS estimated as at 30 September 2020. ¹Target 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. ²Except when required for currency hedging purposes. ³Returns represent the Performance Index GBP. Please refer to the end of the presentation for further details as to how this index is constituted. This presentation includes historic returns and past performance is not a reliable indicator of future results. The value of investments can go down as well as up.

Performance Since Inception



Inception to December 2019



Annualised Return Since Inception

	2019	Q3 2020	CYT ²	1 December 2017
CMA return (Net of fees, GBP)	6.45%	3.33%	(3.25%)	1.25%
50/50 Index Return (Gross, GBP Hedged)	9.46%	3.88%	(1.40%)	1.90%
50/50 Excess Index Return (Gross, GBP Hedged)	7.91%	3.96%	(3.35%)	0.67%
Libor +4% (GBP)	4.91%	1.02%	3.32%	4.75%

Please note, Returns reference the E1 GBP share class, net of fees

Source: CQS as at 30 September 2020. ¹Returns reference the E1 GBP share class. ²50/50 Index is a blended benchmark return comprising the US LLI (Leveraged Loan Index) and the Global High Yield Index (HW00) expressed in Hedged GBP terms. The index is included merely to show the general trends in the period indicated and is not intended to imply that CMA is similar to the index in composition or risk. This presentation includes historic returns and past performance is not a reliable indicator of future results. The value of investments can go down as well as up.

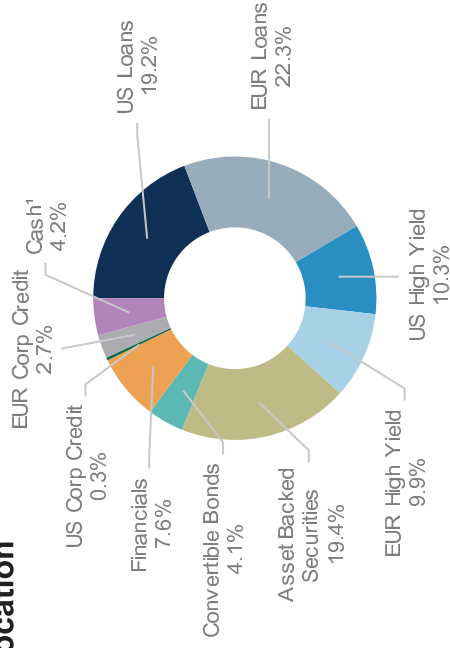


Q3 2020 Performance Review

CQS Credit Multi Asset Fund Allocations: End Q2 2020



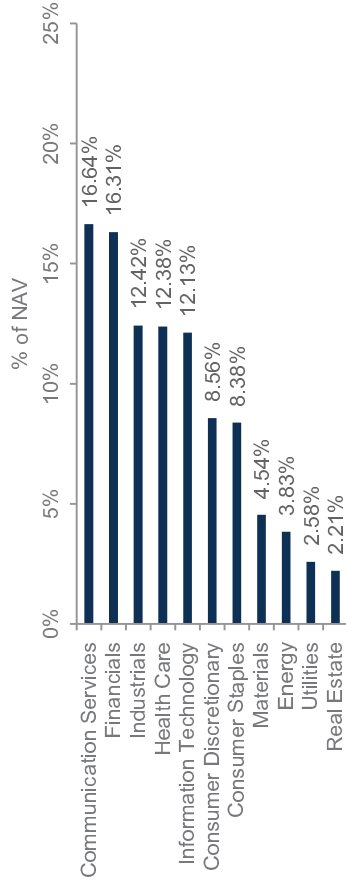
Asset Allocation



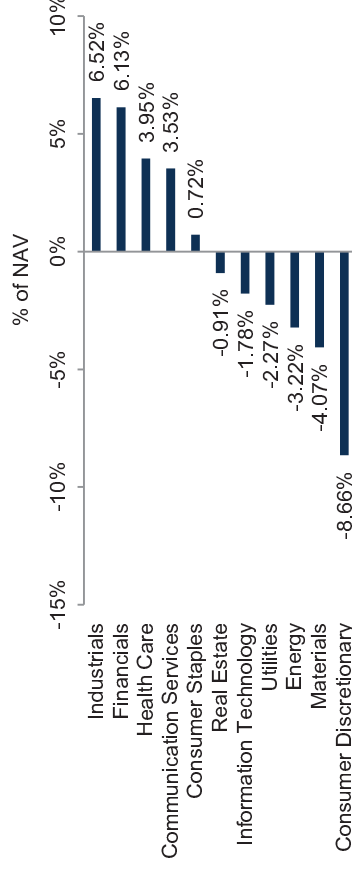
Regional Breakdown



Sector Weightings Absolute (ex ABS & Indices)



Sector Weightings Relative (ex ABS) versus 50:50 Index



Yield-to-Expected Maturity (GBP)

5.47%

Weighted Average Rating

BB-

Interest-rate Duration

1.41

Spread Duration

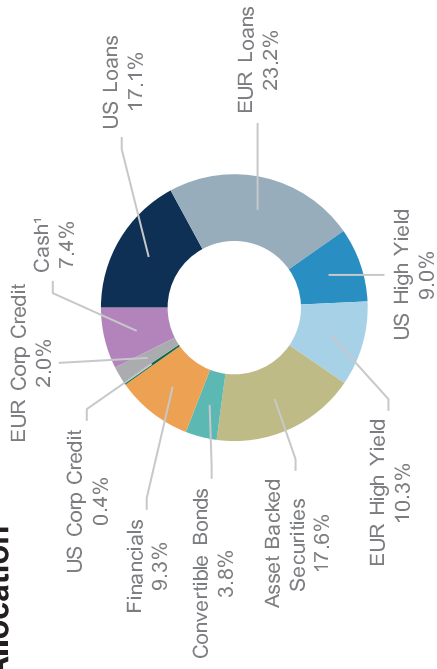
4.05

Source: CQS as at 30 June 2020. There is no guarantee the Fund will invest in these asset class types at all or do so in the same manner as set forth in this presentation. Regional analysis is a % of Long BEE (Bond Equivalent Exposure). Data may not round to 100% due to rounding. ¹Cash includes committed cash e.g. margin posted on FX hedging. Sector weightings are shown as a % of NAV, excluding ABS and Indices, and scaled up to 100% to allow comparison with a composite 50:50 Index comprising the S&P/LSTA Leveraged Loan Index and the ICE BofA Global High Yield Index. Yield to Maturity assumes that coupon payments are reinvested at the yield to maturity. More than usual, these figures should be treated as subject to material and potentially significant change as markets continue to react to current world events.

CQS Credit Multi Asset Fund Allocations: End Q3 2020



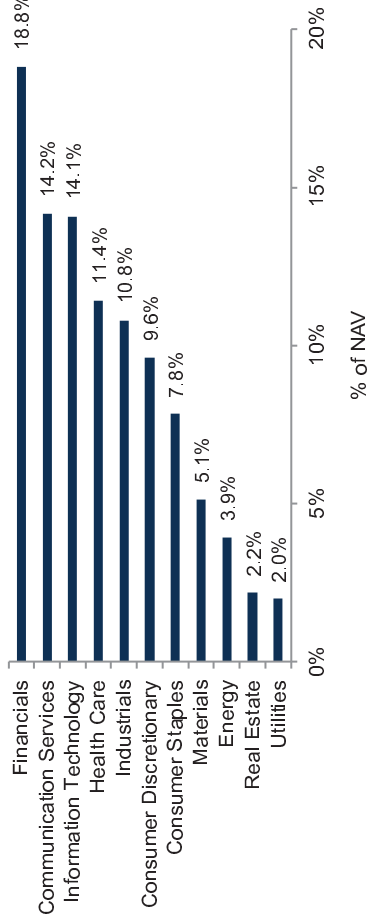
Asset Allocation



Regional Breakdown



Sector Weightings Absolute (ex ABS & Indices)



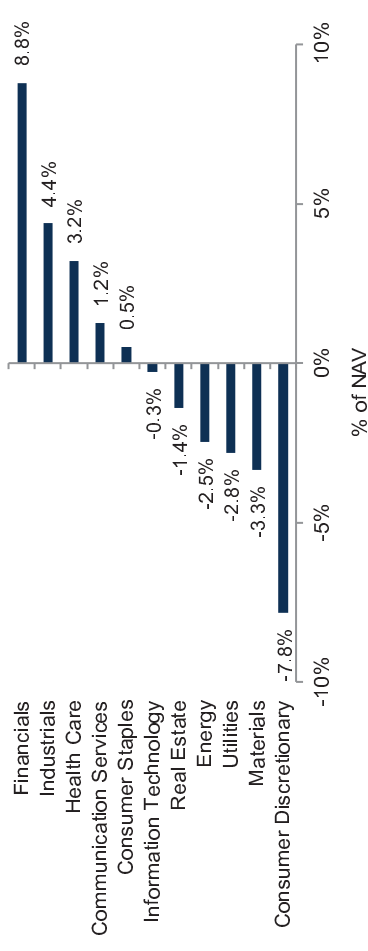
Yield-to-Expected Maturity (GBP)

5.08%

Weighted Average Rating

BB-

Sector Weightings Relative (ex ABS) versus 50:50 Index



Interest-rate Duration

1.41

Spread Duration

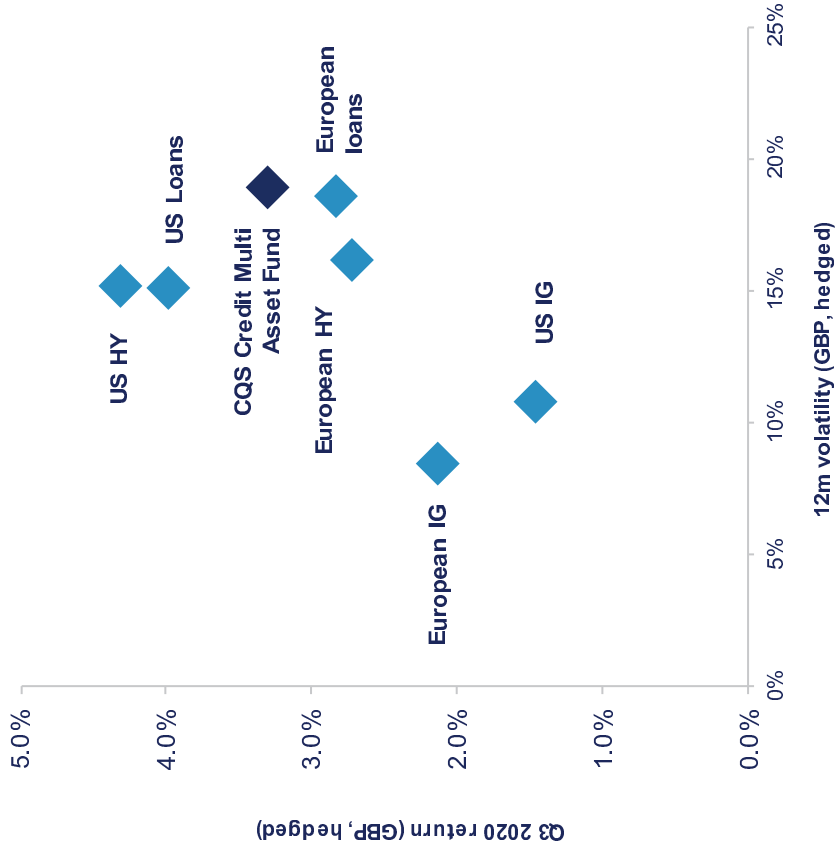
3.84

Source: CQS estimated as at 30 September 2020. There is no guarantee the Fund will invest in these asset class types at all or do so in the same manner as set forth in this presentation. Regional analysis is a % of Long BEE (Bond Equivalent Exposure). Data may not round to 100% due to rounding. ¹Cash includes committed cash e.g. margin posted on FX hedging. Sector weightings are shown as a % of NAV, excluding ABS and Indices, and scaled up to 100% to allow comparison with a composite 50:50 Index comprising the S&P/LSTA Leveraged Loan Index and the ICE BofA Global High Yield Index. Yield to Maturity assumes that coupon payments are reinvested at the yield to maturity. More than usual, these figures should be treated as subject to material and potentially significant change as markets continue to react to current world events.

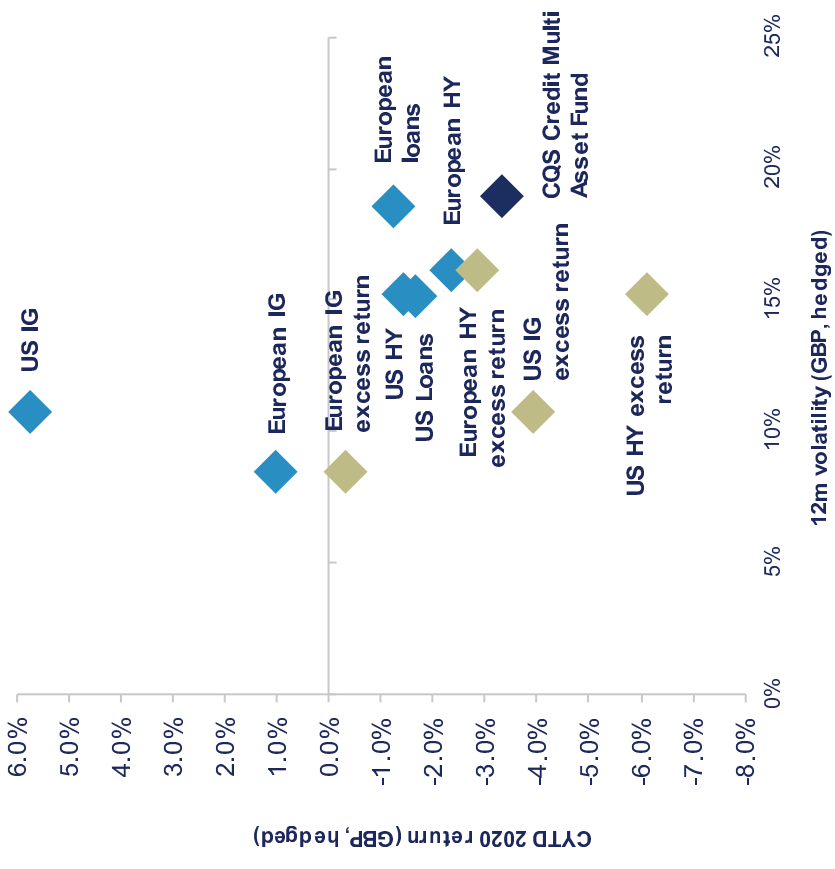
Q3 and CYTD 2020: Global Economic Shutdown and a Technical Credit Crisis, followed by Retracement



Q3 2020 Performance



CYTD 2020 Performance

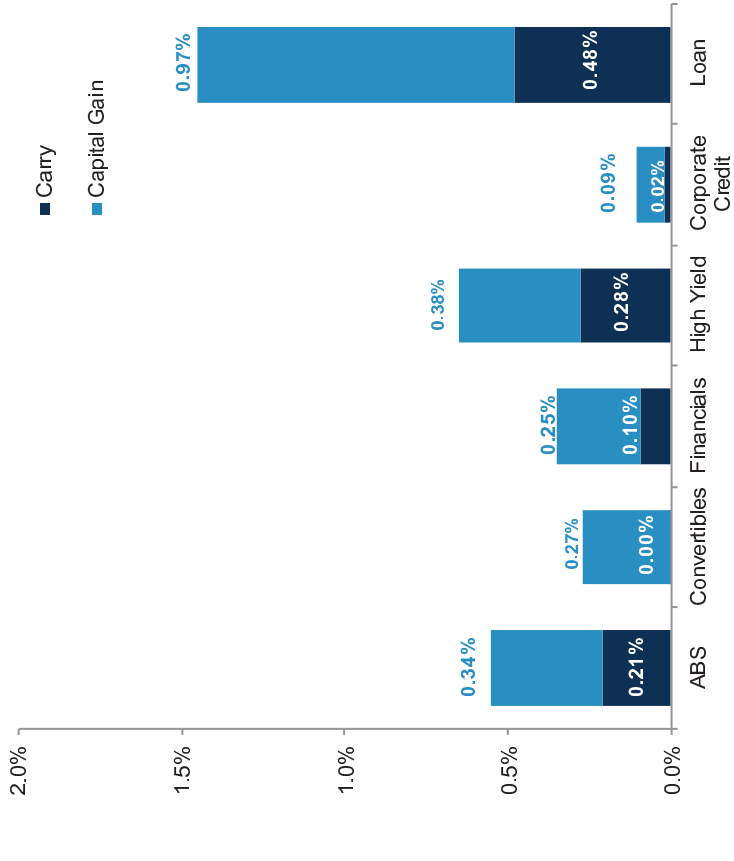


Source: CQS estimated as at 30 September 2020. Fund returns represents Performance Index GBP. Index returns are GBP hedged. For loans returns, we show GBP hedged returns for the S&P/LSTA Leveraged Loan Index and S&P European Leveraged Loan Index. For high yield indices, we use the ICE BoAML US High Yield Constrained Index and ICE BoAML Euro High Yield Index. Ranges indicate asset allocation ranges live to date. This presentation includes historic returns and past performance is not a reliable indicator of future results. The value of investments can go down as well as up.

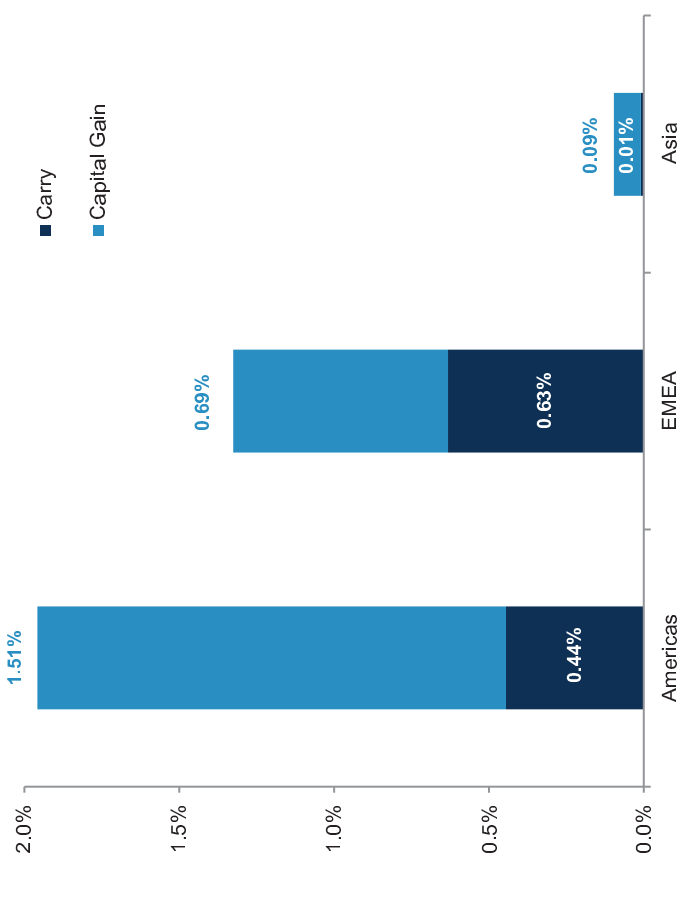
CQS Credit Multi Asset Fund



Gross Contributions by Asset Class (Q3 2020)



Gross Contributions by Region (Q3 2020)

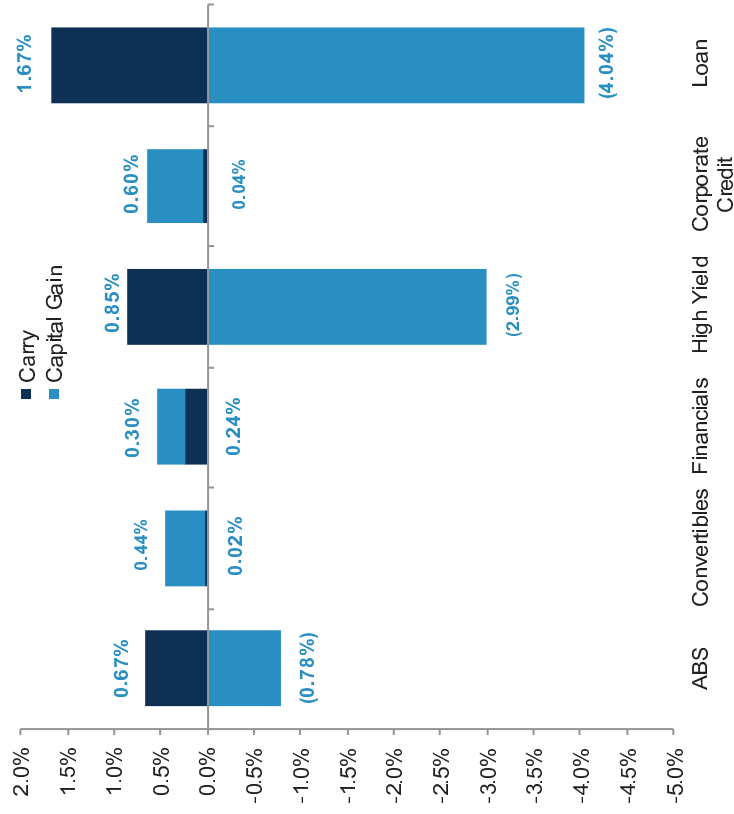


Source: CQS estimated as at 30 September 2020 using gross contributions. High Yield includes Corporate Bonds and CDS, and excludes ABS and Convertibles. Past performance is no guarantee of future results. The value of investments can go down as well as up. Strategy and Regional contributions are for illustrative purposes only. There is no guarantee that the Fund will invest in these strategies or regions at all or do so in the same manner as set forth in this presentation.

CQS Credit Multi Asset Fund



Gross Contributions by Asset Class (CYTD 2020)



Total

(0.12%)

0.45%

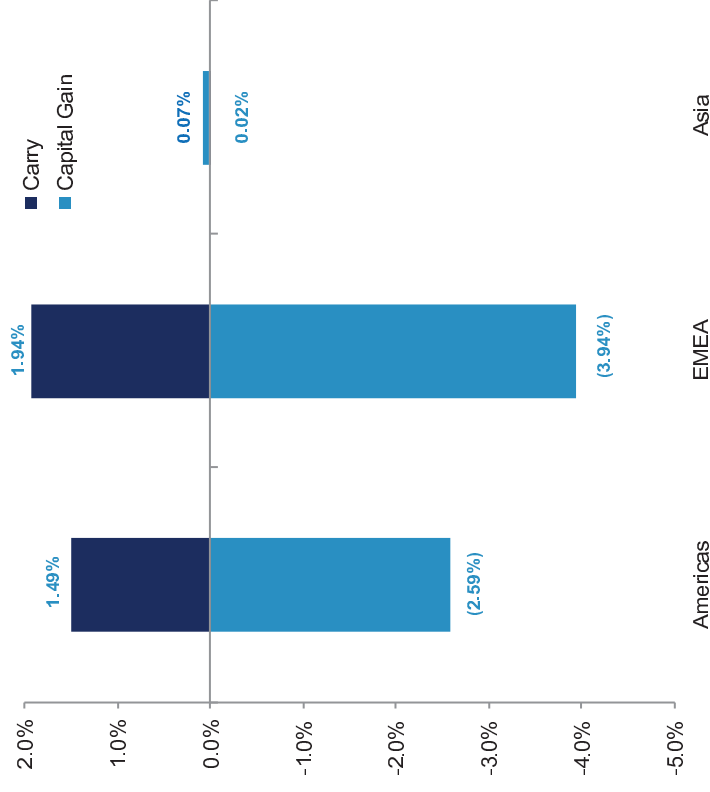
0.54%

(2.14%)

0.64%

(2.37%)

Gross Contributions by Region (CYTD 2020)



Total

(1.09%)

(2.00%)

0.09%

Source: CQS estimated as at 30 September 2020 using gross contributions. High Yield includes Corporate Bonds and CDS and excludes ABS and Convertibles. Past performance is no guarantee of future results. The value of investments can go down as well as up. Strategy and Regional contributions are for illustrative purposes only. There is no guarantee that the Fund will invest in these strategies or regions at all or do so in the same manner as set forth in this presentation.