Summary

Portfolio Summary

- CMA's objective is to achieve a target return of Libor+4–5% p.a. with single digit volatility[1]
- 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 leverage[2]

Performance Update[3]

Dorset Council Pension Fund Investment returns (Class E1 GBP)		
Since Inception (Dec 2017)	Q1 2021	12m to Q1 2021
11.45%	**2.06%**	**24.97%**

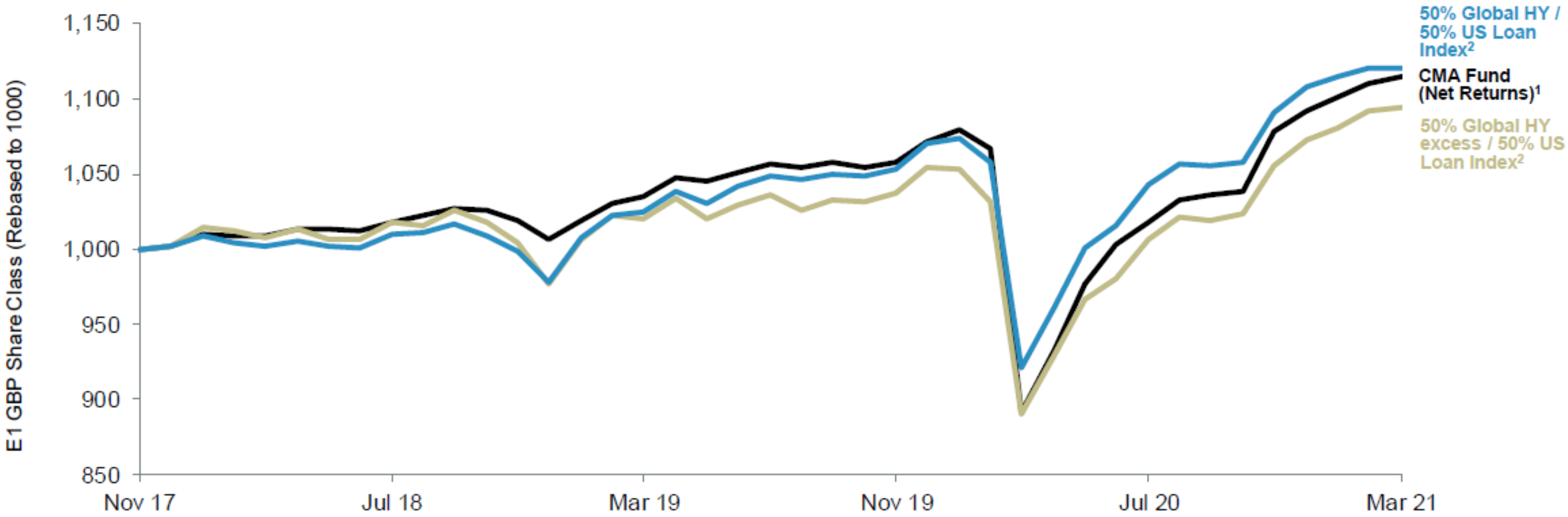
Q1 2021 Performance

- The first three months of 2021 saw investor attention turn increasingly to the prospect of a stronger economic recovery as countries roll out their vaccination programmes. While this was broadly supportive of risk assets, the spectre of inflation prompted further weakness in sovereign bonds. This was a significant theme in credit markets, with high duration instruments such as investment grade bonds significantly underperforming high yield, for example, where interest-rate duration is lower.
- Senior Secured Loans contributed most to returns in Q1, with strong performance from the US and European books. The story was similar for High Yield bonds. Asset Backed Securities performed well, led by BB and BBB rated European CLOs. Financials continued to perform well, followed by Convertibles, in spite of mark-to-market volatility towards the end of the period. Finally, our selective investments in investment grade corporate credit made a modest contribution to returns.
- The Fund remains tilted towards floating-rate assets such as senior secured loans and Asset Backed Securities in this environment. We deployed capital in lagging asset classes where we identified strong relative value, including ABS, where we added to European CLOs, and European Financials, reducing the level of cash we held at the start of the period. Within Loans, we rotated the portfolio further towards Europe, while in High Yield we took profits in a number of European names in favour of specific opportunities in the US market.
- As we stand today, our target exposure to Loans is approximately 43.0%, High Yield is 19.5%, ABS is 18.5%, Financials is 10.0%, Convertibles is 4.5%, and investment grade Corporate Credit is 1.0%. The target cash weighting, therefore, is 3.5%. Inevitably, intra-month these allocations could change, especially given the high level of volatility we have seen in markets

Responsible Investing

- As part of our continued work on responsible investing we have started an audit of all portfolio companies to examine in detail how they are responding to the transition to a low carbon economy. Importantly, this will provide a forward-looking understanding of the portfolio. This is a significant undertaking, and we hope to share further details later this year on how the broad spectrum of companies within sub-Investment Grade credit markets plans to respond to both climate risk and opportunity.

Performance Since Inception



CQS Credit Multi Asset Fund (net of fees, GBP)	2020	1.99%	Q1 2021	2.06%	Last 12 months (to Q1 2021)	24.97%	Annualised Return Since Investment	3.30%
50% Global HY / 50% US Loans	2020	3.50%	Q1 2021	1.18%	Last 12 months (to Q1 2021)	21.70%	Annualised Return Since Investment	3.47%
50% Global HY excess / 50% US Loans	2020	1.68%	Q1 2021	2.02%	Last 12 months (to Q1 2021)	22.91%	Annualised Return Since Investment	2.72%
Libor+4% (GBP)	2020	4.27%	Q1 2021	1.01%	Last 12 months (to Q1 2021)	4.14%	Annualised Return Since Investment	4.56%

The Benefits of Multi Asset Credit

Challenges

Diversify from equities and deliver attractive risk-adjusted returns	Stabilise returns	Avoid defaults	Manage interest-rate risk	Optimise yields and income

Our solution

Target net return[1] of Libor plus 4-5% through a cycle	No more than single digit volatility	Low default rates	Interest-rate duration capped at 2 years	Libor plus 4-5%
Annualised Return	Annualised Volatility	Annualised Default Rate[2]	Current Duration	Yield to Maturity (GBP)[2]
4.51%	**6.80%**	**0.46%**	**1.21 yrs**	**4.88%**