



# CQS Global Convertible Fund (UCITS)

FACTSHEET | AUGUST 2018 (as at 31 July 2018)

## INVESTMENT OBJECTIVE

- UCITS compliant long-only convertible Fund seeking attractive risk-adjusted returns over the medium-to-long term through investment in a portfolio of convertible securities across global markets
- Targeting 6-8%<sup>1</sup> net returns p.a. through the cycle with low volatility (expected 5-7% annualised over the cycle)

## INVESTMENT APPROACH

- Seeking upside participation in rising equity markets and downside protection (due to the bond floor) in weak equity markets
- Aiming to exploit opportunities in convertibles globally across diverse sectors, geographies and security profiles
- Disciplined investment process underpinned by deep fundamental research
- Active investment management and benchmark agnostic

## FUND MANAGEMENT

- Founded in 1999, CQS is a \$17.0bn global multi-strategy asset management firm. Fund is managed by James Peattie (Senior Portfolio Manager), supported by a dedicated team of portfolio managers, analysts and traders
- Convertibles are a core product at CQS. The firm currently manages \$1.8bn in convertibles across pooled and dedicated mandates for institutional investors globally

## PERFORMANCE SUMMARY<sup>2</sup>

Share Class <sup>3</sup>	MTD Return (%)	3 Month Return (%)	6 Month Return (%)	12 Month Return (%)	YTD Return (%) <sup>2,3</sup>	NAV/Share
I3 USD	0.79	0.29	0.06	4.28	1.71	121.050
I3 EUR	0.58	(0.30)	(1.08)	1.98	0.34	115.998
I3 GBP	0.66	(0.11)	(0.68)	2.82	0.81	116.303
M USD	0.83	0.42	0.32	4.81	2.01	125.599

## INVESTMENT COMMENTARY<sup>4</sup>

Market performance was positive overall in July, with the Eurostoxx 50 Index gaining 3.9% and the S&P 500 index gaining 3.7%, despite the continuation of geopolitical risks, such as US-China trade disputes and Iranian sanctions. Credit markets also responded well, with both investment grade and high yield spreads tightening in July. Global convertibles had mixed performance, with the Bank of America Merrill Lynch G300 Index rising 0.67% and the Thomson Reuters Global Focus Index declining 0.23% (both USD hedged) in July.

Monthly returns were driven by US holdings, with further gains from Asian holdings. At a sector-level, healthcare and materials were the main gainers, whilst real estate and telecommunications holdings detracted. Looking at single-name performance, US gene sequencing group Illumina led single-name gains, announcing strong Q2 earnings and revenues ahead of forecasts, meanwhile semiconductor giant Intel detracted as the company announced a delay to the roll-out of a new chip technology.

During a quieter month the portfolio participated in the US network group Palo Alto Networks 0.75% 2023 144a and European medical group Idorsia SA 0.75% 2024 new issues. The fund also increased exposure to a number of issues including BT (Orange) 0.375% 2021, Red Hat 0.25% 2019, Euronet Worldwide 1.5% 2020-24.44, Teladoc 1.375% 2025 144a, Square 0.5% 2023 144a, Illumina 0% 2019, Booking Holdings ex-Priceline.com 0.9% 2021 and Deutsche Wohnen 0.6% 2026 in order to manage cash levels in the fund.

July's reversal of June's performance is in keeping with our thesis that 2018 is a year of inflexion, whereby we view the markets as more likely, in the medium term, to have sudden reversals rather than extended trends. Current markets reflect the background of the transition from QE to QT, with changes in tax, technology and trade also driving dispersion of corporate outcomes. Hence our positioning is skewed toward issues that we believe can capture the upside but have solid downside protection.

Source: CQS. Please refer to page 3 for sources relating to relevant footnotes.

## KEY FUND FACTS

### Portfolio Manager

- James Peattie

### Legal Structure

- UCITS

### Domicile

- Ireland

### Reference Currency

- EUR

### Share Classes

- EUR, GBP, USD, AUD, CHF

### Target Return<sup>1</sup>

- 6-8% annualised over the cycle

### Expected Volatility<sup>1</sup>

- 5-7% annualised over the cycle

### AUM

- \$154m

## RISK AND REWARD PROFILE



### Registered

- Ireland

### Fund Launch Date<sup>2</sup>

- 2 March 2015

### One-off Charges

- Entry: 5.00% discretionary

### Depository

- State Street Custodial Services (Ireland) Limited

### Administrator

- State Street Custodial Services (Ireland) Limited

### Auditor

- Ernst & Young

### Dealing Frequency Subscriptions

- Daily by 1pm Dublin time

### Gate

- 10% discretionary

Information about the Fund and copies of the prospectus, the supplement, the key investor information documents, the latest audited annual report and accounts and any subsequent unaudited semi-annual report may be obtained free of charge from the administrator, State Street Fund Services (Ireland) Limited (the Administrator) or the investment manager, CQS (UK) LLP upon request. The Fund is authorised in Ireland and regulated by the Central Bank of Ireland.

### SECURITY SELECTION PROCESS

- The Portfolio Manager focuses on individual convertible securities seeking to maximise investment opportunity and expected return asymmetry
- Selected securities continually compete for a place in the portfolio
- Catalysts for portfolio change include: relative valuation shifts, corporate news, new issuance, rating actions, upgrades / downgrades, corporate events, and calls / puts / maturities
- In-house credit ratings are used to evaluate the significant unrated portion of the market to add value

### PORTFOLIO CONSTRUCTION AND RISK MANAGEMENT

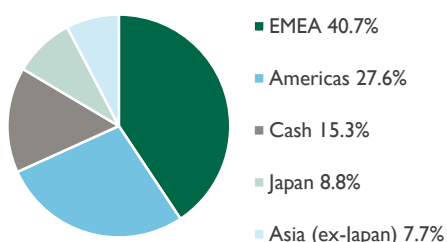
- The Portfolio Manager seeks optimal portfolio risk / reward and diversification by issuer, geography and industry sector with appropriate position sizing
- Strict compliance with risk limits, monitored by an independent risk management team

### RISKS INVOLVED

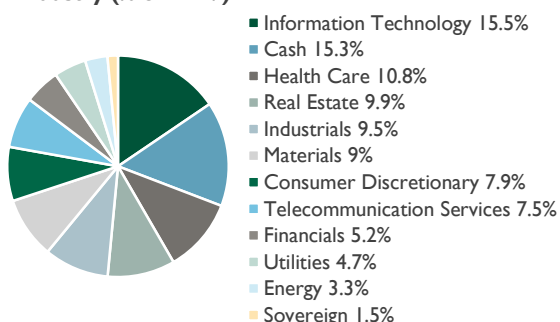
- Investments in global convertibles are primarily subject to equity, credit, interest rate and foreign exchange risk
- The Fund seeks to hedge foreign exchange risk using financial derivatives

### PORTFOLIO ANALYSIS<sup>5</sup>

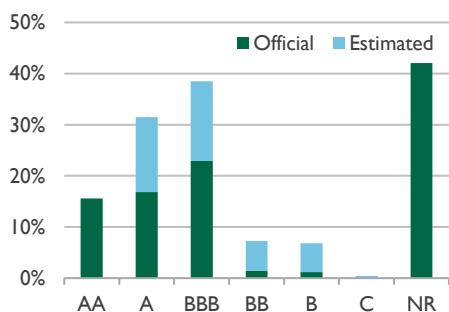
Region (% of NAV)



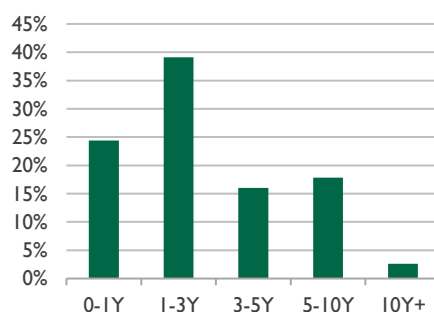
Industry (% of NAV)



Rating (% of NAV)<sup>6</sup>



Maturity (% NAV)<sup>7</sup>



### TOP 5 HOLDINGS (%)

Name	Sector	(% of NAV)
Illumina Inc	Health Care	3.32
Sika AG	Materials	2.40
The Priceline Group Inc	Consumer Discretionary	2.32
Orange SA	Telecommunication Services	2.04
China Overseas Land & Investments	Real Estate	2.04

Source: CQS. Please refer to page 3 for sources relating to relevant footnotes.

### KEY FUND FACTS (continued)

#### Management Fee

- I: 0.95% p.a.
- I2: 0.65% p.a.
- I3: 0.50% p.a. (limited capacity)
- I4: 0.40% p.a.

#### Ongoing Charges/Expenses

- 0.20% (for I4 share class)
- 0.25% (for all other share classes)

#### Minimum Investment Size

- I: €100,000 or currency equivalent
- I2: €5m or currency equivalent
- I3: €10m or currency equivalent
- I4: \$50m or currency equivalent

### SECURITY NUMBERS

#### ISIN

- I EUR: IE00BTFQZP50  
GBP: IE00BTFQZQ67  
USD: IE00BTFQZR74
- I2 EUR: IE00BTFQZS81  
GBP: IE00BTFQZT98  
USD: IE00BTFQZV11
- I3 EUR: IE00BTFQZV28  
GBP: IE00BTFQZX35  
USD: IE00BTFQZY42
- I4 EUR: IE00BFXNXZ65  
CHF: IE00BFXXNY58  
USD: IE00BFXXP163

#### Bloomberg

- I3 USD: CQSGC13
- I3 GBP: CQGC13G
- I3 EUR: CQGI3ES
- I4 EUR: CQGC14E
- I4 CHF: CQGC14C
- I4 USD: CQGC14U

### REPORTING

#### Investor Report

- Monthly Factsheet

#### Fiscal Year-End

- 30 June

### PORTFOLIO CHARACTERISTICS

#### Expected Number of Positions

- 50-70

#### Anticipated Weighted Average Credit Rating (including CQS ratings)

- BBB- (or better)

#### Maximum Single Issuer Concentration

- 10% (UCITS 5/10/40 limit)

#### Maximum Sector Concentration

- 40%

#### Maximum Regional Concentration

- 60%

#### Maximum Emerging Market Exposure

- 35%

#### Maximum Cash

- 20%

#### Excluded Securities

Derivatives (except for currency hedging), reverse convertibles, synthetic convertibles.

#### Borrowings

The Fund is permitted to borrow up to 10% of the Fund's NAV on a temporary short-term basis.

#### Anti-Dilution Levy

Partial Swing Pricing with transaction costs and threshold to be set by the Manager.

#### Maximum Impact of Swing Pricing

- 2% of NAV

Source: CQS as at 31 July 2018. <sup>1</sup>Target returns and anticipated volatility are estimated only and net of fees with 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. <sup>2</sup>The CQS Global Convertible Fund (UCITS) a sub-fund of CQS Funds (Ireland) plc was approved by the Central Bank of Ireland on the 12 February 2015 and commenced investment activity 2 March 2015. Class returns are calculated net of all fees and expenses on the basis of a shareholding since inception of such class or, if such class has become dormant at any point following inception, since the first new investment into such class. Individual shareholders may have different returns depending upon the date of their investment. Investors should refer to each specific share class for the actual historical performance of the relevant class; please request full history of data from CQS. Class M does not bear any management fees. <sup>3</sup>Class M USD launched 2 March 2015, Class I3 USD launched 27 May 2015, Class I3 EUR launched 17 July 2015 and Class I3 GBP launched 4 November 2015. <sup>4</sup>The Fund may have since exited some or all of the positions detailed in this commentary. <sup>5</sup>Actual allocations at month-end. 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. <sup>6</sup>Average 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 issuer rating of the custodian bank. <sup>7</sup>Maturity or first put. All market data sourced from Bloomberg, Bank of America Merrill Lynch and UBS. Past performance may not be a reliable guide to future performance. The value of investments can go down as well as up. Please read the important legal notice at the end of this document.

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