

CQS New City High Yield Fund

(as at 28 September 2018)



FACTSHEET | October 2018

Fund Details

Launch Date

- October 2004

Total Gross Assets

- £258.6m

Ordinary Share

- Net Asset Value: 57.02p
- Mid-Market Price: 61.00p

Yield (estimated)

- 7.20%

Gearing

- 11.11%

Premium

- 6.98%

Annual Management Fee

- 0.8% p.a. on assets up to £200 million
- 0.7% p.a. on assets over £200 million
- Bloomberg: NCYF LN
- Reuters: NCYF.L
- Sedol: B1LZS51 GB

Financial Times

(Investment Companies)

Financial Calendar

Year End

- 30 June

Annual Report and Accounts Published

- October

AGM

- December

Dividends

- 2007/08 Total 3.57p
- 2008/09 Total 3.65p
- 2009/10 Total 3.75p
- 2010/11 Total 3.87p
- 2011/12 Total 4.01p
- 2012/13 Total 4.10p
- 2013/14 Total 4.21p
- 2014/15 Total 4.31p
- 2015/16 Total 4.36p
- 2016/17 Total 4.39p

2017/18

- 0.99p 1st interim: Paid 30 November 2017
- 0.99p 2nd interim: Paid 28 February 2018
- 0.99p 3rd interim: Paid 31 May 2018
- 1.45p 4th interim: Paid 31 August 2018

Investment Objectives

To provide investors with a high dividend yield and the potential for capital growth by investing mainly in high yielding fixed interest securities.

Investment Manager Comment²

Brexit negotiations were, again, front and centre of the news in the UK throughout September. Followers of Sterling will have noted the strengthening of the currency for most of the month when the news flow was positive on the chances of a deal actually happening, although it remains 11.5% below the pre-referendum level.

In the background, economic data was mixed. The IHS Markit Construction Sector PMI fell from 55.8 to 52.9, and the manufacturing data fell from 53.8 to 52.8, however, these were more than offset by the services sector improving from 53.5 to 54.3. Note that all of these figures are above the important figure of 50 which indicates expansion.

The level of wage growth hit 2.9% and, we believe, this is clearly due to the lowest levels of unemployment since the mid-1970s, along with the decrease in the number of EU workers coming to the UK. It is easy to see why businesses are worried about a no deal Brexit, alongside the very real prospect of a skills shortage.

Three Data points released during September surprised economists: Firstly, retail sales were flattered by the strongest performance in the household goods sector for two years; secondly, CPI inflation hit 2.7%, a six month high when most economists were expecting a fall to 2.4%; and thirdly, the narrowing of the trade deficit to £10bn from £10.7bn. Of note in these figures was the increased trade between the UK and Europe being far greater than between the UK and non-European countries.

At a time when the UK is looking to do free trade deals with the rest of the world, President Trump has somewhat destabilised the future outlook for world trade by imposing tariffs on Chinese goods imported into America. Not a great scenario if hard Brexit is to follow with Europeans playing hardball on trade.

Europe

Europe's manufacturing and exports stagnated, hitting a 28 month low for output. General business activity and new order inflows grew at the second weakest rate for 24 months. Similar to the UK, the service sector was having a better time, with job creation in the sector continuing to run at the highest level since October 2007. In the background, however, higher salaries and energy costs contributed to input prices increasing at their highest rate since 2011.

Trade wars, Brexit, waning global demand (notably in the auto industry), growing risk aversion, destocking and rising political uncertainty across the globe, all fuelled the slowdown in business activity. The biggest danger to Europe currently is Italy, its government's planned budget deficit (counter to EU rules) has started to scare bond markets and will place further stress on the Italian banking sector.

The US

US private sector economic growth slipped to its lowest level for almost one and a half years. The escalation of trade wars, with the accompanying rise in prices, contributed to a weakening outlook with business expectations for next year dropping sharply during the month. Whilst business activity may improve after the current storms, the drop in optimism suggests the longer term outlook has deteriorated, at least in the sense that growth may have peaked.

Portfolio

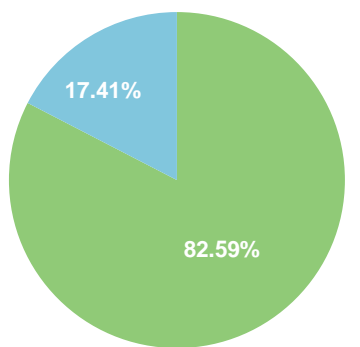
For the company's portfolio, we sold SAS preference shares due to the danger of them being called below where they were sold, these were replaced by a new issue in Floatel, with a 9% coupon in US\$, and VPC Speciality Lending equity on a prospective 9% plus yield.

We remain active in looking for opportunities to pick up yield as markets fall back on Brexit and trade war worries.

Ordinary Share and NAV Performance³

	1 Month (%)	3 Months (%)	1 Year (%)	3 Year (%)	5 Year (%)	From 29 October 2004 (%)
NAV	(0.11)	1.43	4.62	28.51	38.41	218.98
Share Price	0.99	1.42	7.88	34.58	40.04	245.65

Source: ¹Maitland Administration Services (Scotland) Limited, as at 28 September 2018. ²All market data sourced from Bloomberg unless otherwise stated. Returns quoted in local currencies unless otherwise stated. The Company may have since exited some / all of the positions detailed in this commentary. ³Maitland Administration Services (Scotland) Limited, total return performance based on bid prices. These include historic returns and past performance is not a reliable indicator of future results. The value of investments can go down as well as up. Please read the important legal notice at the end of this document.

Breakdown by Asset Class¹

- Fixed Income
- Convertibles/Equities/Preference

Top 10 Holdings (%)¹

Punch Taverns 7.75% 30/12/2025	3.74
CYBG 8% Variable Perpetual	3.15
Perform Group Financing 8.5% 15/11/2020	2.94
Galaxy Finco Ltd 7.875% 15/11/2021	2.88
Rea Finance 8.75% 31/08/2020	2.67
Garfunkelux Holdco 11% 01/11/2023	2.53
Shawbrook Group 7.875% Variable Perpetual	2.35
Onesavings Bank Plc 9.125% Variable Perpetual	2.32
Matalan Finance 9.5% 31/01/2024	2.32
Barclays Bank 7% Variable Perpetual	2.30
Top 10 Holdings Represent	27.20

The Company has exposure to 111 issues.
All holdings data are rounded to two decimal places.
Total may differ to sum of constituents due to rounding.

AIFMD Leverage Limit Report (% NAV)

	Gross Leverage (%) ⁴	Commitment Leverage (%) ⁵
CQS New City High Yield Fund	112	111

⁴Source: CQS, as at 28 September 2018. For methodology details see Article 4(3) of Directive 2011/61/EU (AIFMD) and Articles 6, 7, 9 and 10 of Delegated Regulation 231/2013. ⁵Source: CQS, as at 28 September 2018. For methodology details see Article 4(3) of Directive 2011/61/EU (AIFMD) and Articles 6, 8, 9, 10 and 11 of Delegated Regulation 231/2013.

Investment Manager Information

Ian Francis has day-to-day responsibility for managing the Company's portfolio and is supported by the New City team.

Capital History

The Company was established on 7 March 2007 and has 404,451,858 Ordinary Shares in issue and the number of voting rights in the Company is 404,451,858.

The Company is the successor to New City High Yield Trust plc, which transferred all of its assets to the Company on 7 March 2007 to increase the amount of distributable income and improve investment flexibility. Shareholders received the same number of shares in the new company as they held in the old company.

On 3 January 2018 the Company completed the sale of 1,250,000 ordinary shares out of Treasury at a price of 62.0p per share.

On 10 January 2018 the Company completed the sale of 1,250,000 ordinary shares out of Treasury at a price of 62.0p per share.

On 18 January 2018 the Company completed the sale of 1,250,000 ordinary shares out of Treasury at a price of 62.1p per share.

On 26 January 2018 the Company completed the sale of 1,250,000 ordinary shares out of Treasury at a price of 61.3p per share.

On 11 April 2018, the Company completed the sale of 1,300,000 ordinary shares out of Treasury at a price of 60.4p per share.

On 30 April 2018, the Company completed the sale of 2,250,000 ordinary shares out of Treasury at a price of 60.4p per share.

On 4 May 2018 the Company completed the sale of 1,200,000 ordinary shares out of Treasury at a price of 60.5p per share.

On 11 May 2018 the Company completed the sale of 1,100,000 ordinary shares out of Treasury at a price of 60.6p per share.

On 17 May 2018 the Company completed the sale of 1,577,441 ordinary shares out of Treasury at a price of 60.75p per share.

On 8 June 2018 the Company issued 1,000,000 new ordinary shares at a price of 60.8p per share.

On 18 June 2018, the Company issued 1,000,000 new ordinary shares at a price of 61.2p per share.

On 20 June 2018, the Company issued 1,000,000 new ordinary shares at a price of 61.2p per share.

On 27 July 2018, the Company issued 2,500,000 new ordinary shares at a price of 60.4p per share.

On 28 August 2018, the company issued 1,000,000 new ordinary shares at a price of 60.75p per share.

The issued capital now totals 404,451,858 ordinary shares.

NCIM Investment Team

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