

CQS Natural Resources Growth and Income

(as at 31 December 2018)

FACTSHEET | January 2019

Launch Date

- August 2003

Statistics¹

Total Gross Assets

- £82.6m

Ordinary Share

- Net Asset Value (bid price): 102.55p
- Mid-Market Price: 87.10p

Yield (estimated)

- 6.43%

Gearing

- 13.81%

Discount

- (15.07%)

Annual Management Fee

- 1.2% p.a. (on adjusted net assets)

Pricing

Ordinary Shares

- Bloomberg: CYN LN
- Reuters: CYN.L
- Sedol: 0035392

Financial Times

(Investment Companies)

Capital Structure

Ordinary shares:

- 66,888,509

Net Assets:

- £68,596,760

At 31 December 2018, gearing stood at 13.81%. The Company held £4.5m of cash.

Financial Calendar

Year End

- 30 June

Results Announced

- Finals: October
- Interims: February

AGM

- December

Ordinary Share Dividends

- 2012/13 Total 5.50p
- 2013/14 Total 5.60p
- 2014/15 Total 5.60p
- 2015/16 Total 5.60p
- 2016/17 Total 5.60p
- 2017/18 Total 5.60p

2018/19

- Dividend target of 5.60p announced for year
- 1.26p 1st interim: Paid 30 November 2018

Investment Objective

The investment objective of the Company is to provide shareholders with capital growth and income predominantly from a portfolio of mining and resource equities, and of mining, resource and industrial fixed interest securities.

Investment Manager Comment²

December was a torrid month for resources as sentiment fell on trade war concerns. Base metals declined due to negative sentiment around the deceleration in Chinese economic growth, whilst precious metals gained as a safe haven. Precious metals were supported by indecisive commentary on the outlook for US rates by the Fed, which flip-flopped between dovish and hawkish language. Pricing was further supported by strong physical buying of gold by ETFs and global central banks, particularly Iran, Russia and Turkey. In addition, the receding probability of a successful Brexit negotiation has continued to put pressure on both Sterling and the Euro, making gold a relative safe haven for UK investors. Of note, holdings of gold by physically backed ETFs rose over 2Moz during the month, returning towards post Brexit highs of 72Moz. Declining trade led to a softening in Chinese data, with the Purchasing Managers Index turning negative, indicating a contraction in manufacturing. However, Chinese policy is shifting to a more accommodative stance, with authorities reducing the required reserve rate by 1% for banks to support domestic lending. At the same time, the government is increasing spending on infrastructure including a 40% increase in spending on new rail developments for 2019, adding 6,800km of high speed track. China has seen a strengthening Yuan since Xi and Trump met in Buenos Aires at the G20 towards the start of the month, with Trump agreeing to delay implementation of the additional tariffs by 90 days. At the time of their meeting, both parties would have known about the arrest of Huawei's CFO, despite it not being made public until 4 days later, which latterly added to concern as markets became aware of the news. Oil prices remained very weak into the close of the 4th Quarter, as concerns over impending production increases from the US in mid-2019 coincided with worries on the conviction behind OPEC and Russia's announced 1.2M barrel per day production cut. Qatar announced earlier in the period that it was planning on leaving OPEC, highlighting regional tensions and undermining the perceived cohesion of the cartel. Alberta took a surprising move to reduce oil production by 8.7% for 2019, in an effort to reduce the heavy discounts seen in Canadian oil prices. De-bottlenecking of US pipelines will increasingly become a focus as the year progresses, with pent-up supply such as Alberta production able to return to the market.

The Fund maintains a small weight towards energy equities, instead focusing on base metals, where there is a clearer thesis for a supply shortage and precious metal equities, where valuations are extremely depressed despite the uptick in precious metal pricing.

Ordinary Share and NAV Performance³

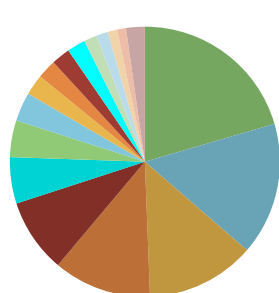
	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Year (%)	5 Year (%)	From 1 August 2003 (%)
NAV	(7.03)	(19.86)	(25.75)	(28.40)	21.28	(14.45)	200.15
Share Price	(7.44)	(17.32)	(21.57)	(23.60)	23.44	(7.19)	166.12
Benchmark	2.16	(2.68)	(5.33)	(3.72)	85.58	29.39	278.35

Top 20 Holdings (%)⁴

	% of Portfolio		% of Portfolio
First Quantum Minerals ⁵	6.8%	BW LPG	2.4%
Rea Holdings ⁶	6.6%	Arch Coal	2.2%
Hurricane Energy ⁷	5.1%	NexGen Energy	2.2%
Trevali Mining	4.7%	National Westminster Bank 9%	2.1%
Ascendant Resources ⁸	3.8%	Central Asia Metals	2.1%
West African Resources	3.6%	Oilflow 12% 13/01/2022	2.0%
ERO Copper	3.4%	Trafigura Group 6.875%	1.8%
Metals X	3.2%	Americas Silver ⁹	1.8%
Goodbulk	3.0%	Foran Mining Corp	1.6%
Tizir 9.5% 19/07/2022	2.7%	Raven Russia 12%	1.4%
Top 10 holdings represent:¹⁰	42.9%	Top 20 holdings represent:¹⁰	62.5%

The Company has exposure to 129 issues.

Source: ¹Maitland Administration Services (Scotland) Limited, as at 31 December 2018. ²All market data sourced from Bloomberg unless otherwise stated. All returns quoted in local currency unless otherwise stated. The Company may since have exited some or all of the positions detailed in the commentary. ³Maitland Administration Services (Scotland) Limited, total return performance. The Company's investment benchmark is 80 per cent. Euromoney Global Mining Index (sterling adjusted) and 20 per cent. Credit Suisse High Yield Index (sterling adjusted). Performance data is calculated from 1 August 2003 (total return basis). ⁴Maitland Administration Services (Scotland) Limited, as at 31 December 2018. ⁵Includes First Quantum equity valued at £4,679,601 and First Quantum CLN 7.5% 01/04/2025 valued at £650,440. ⁶Includes REA Holdings 9% Cum Pref Shares valued at £4,679,601 and REA Finance 8.75% 31/08/2020 valued at £490,000. ⁷Includes Hurricane Energy equity valued at £508,276 and Hurricane Energy Convertible 7.5% 24/07/2022 valued at £3,472,640. ⁸Includes Ascendant Resources equity valued at £2,851,903 and warrants valued at £134,758. ⁹Includes Americas Silver equity valued at £1,332,106 and warrants valued at £145,813. ¹⁰All holdings data are rounded to one decimal place. Totals may therefore differ to sum of constituents. 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.

Sector Split (as at 31 December 2018)¹⁰

■ Fixed Interest Securities 20.5%	■ Gold 15.9%
■ Copper 13.0%	■ Preference Shares 11.7%
■ Zinc 8.9%	■ Shipping 5.5%
■ Uranium 4.4%	■ Oil & Gas 3.5%
■ Iron 2.5%	■ Silver 2.3%
■ Base Metals 2.2%	■ Coal 2.2%
■ Alternative energy 1.6%	■ Lithium 1.4%
■ Rare earth 1.1%	■ Oil & Gas Storage & Transportation 1.1%
■ Other 2.2%	

AIFMD Leverage Limit Report (% NAV)

	Gross Leverage (%) ¹¹	Commitment Leverage (%) ¹²
City Natural Resources High Yield Trust	117	115

Source: ¹⁰All holdings data are rounded to one decimal place. ¹¹CQS, as at 31 December 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. ¹²CQS, as at 31 December 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.

Issued Share Capital

Ordinary shares of 25p: 66,888,509

Investment Manager Information

Ian Francis, Keith Watson and Robert Crayford have day-to-day responsibility for managing the Company's portfolio.

Capital History

4 November 1994 20,000,000 ordinary shares of 25p each placed in Aberdeen Latin American Trust at 100p with 4,000,000 warrants attaching, each conferring the right to subscribe for one ordinary share of 25p for 100p. Following the June 2003 EGM, when the Company's name changed to City Natural Resources High Yield Trust, on 31 October 2003, 42,857,143 new shares were admitted to the London Stock Exchange by means of a placing at 70p each, with the subscription price for warrants being changed to 85p. 18,500 warrants were exercised in 2006, 10,000 warrants were exercised in 2007 and a further 38,586 warrants were exercised in 2008.

The final exercise date for the warrants was 31 October 2009. On 11 November 2009 3,932,914 ordinary shares of 25p each were admitted to the Official List following the exercise of 3,932,914 warrants. Trading on these additional shares commenced on 13 November 2009.

On 26 September 2011 the Company issued £40,000,000 nominal of 3.5% Convertible Unsecured Loan Stock 2018 ('CULS'). Holders of CULS are entitled to receive interest at a rate of 3.5% per annum payable semi-annually on 30 April and 30 September each year. Upon redemption CULS holders are entitled to repayment of the principal amount and any outstanding interest. CULS may be converted into ordinary shares on 30 April and 30 September each year; the conversion price will be 377.18p nominal CULS for one ordinary share.

On 28 September 2018 £34,509,566 nominal of CULS was repaid, in part using £14m drawn down from a new £20m loan facility.

On 2 October 2018 the Company issued 398 ordinary shares in connection with the exercise of £1,508 nominal of CULS.

No CULS remain in issue and there are 66,888,509 ordinary shares in issue.

NCIM Investment Team

Ian ('Franco') Francis
Keith Watson
Rob Crayford

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0207 894 8130

Market Makers

Canaccord Genuity
0207 665 4500
Investec Investment Banking
0207 597 5028

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0207 894 8130
Singers
0203 205 7500

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0207 558 8149
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0207 710 7600

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0207 397 8900
Winterfloods
0203 100 0258

Fidante Capital
0207 832 0999

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