

CQS Natural Resources Growth and Income

(as at 31 January 2019)

FACTSHEET | February 2019

Launch Date

- August 2003

Statistics¹

Total Gross Assets

- £86.1m

Ordinary Share

- Net Asset Value (bid price): 107.79p
- Mid-Market Price: 89.00p

Yield (estimated)

- 6.29%

Gearing

- 11.88%

Discount

- (17.43%)

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:

- £72,100,534

At 31 January 2019, gearing stood at 11.88%. The Company held £5.4m 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
- 1.26p 2nd interim: Payable 28 February 2019

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

The Fund NAV rose 6.4% over the month. Anticipated softening in global economic data trends, and downgrades to growth forecasts across broader equity market earnings, was notably met with a more dovish outlook from the US Fed, as the trickle through effects impacted regional data. As a result, and in light of geopolitical uncertainties primarily regarding US-China trade talks and muted inflationary pressures, US interest rates were held rather than increased at the January FOMC meeting. Of note, the trajectory of US rates has flattened over the month with just one 25bp increase now implied in 2019. The FED also indicated a willingness to slow the pace of quantitative tightening, softening the deflationary impact of the process which removes liquidity from the market, a stance which is likely to be adopted in other regions, notably Europe.

China also provided some measured monetary stimulus mid-month whilst flagging further infrastructure spending. Commodity prices across the board reacted positively, recovering from the sharp correction during the final quarter of 2018. Crude prices showed the largest gains with the 18% increase in WTI reflecting the extent of the sharp year-end crude price sell-off. Iron ore prices, which have been almost counter cyclical, latterly benefitted from the tailings dam collapse at a Vale-owned operation in Brazil with benchmark prices gaining nearly 17% in January. Among the base metals zinc prices rose 8% with zinc warehouse inventories once again beginning to decline. This was bettered only by nickel which gained 12% despite commentary regarding near-term increases in Indonesian nickel production. Copper prices, which had proved to be relatively more stable during the final quarter of 2018, rose 3%. The extended US government shutdown, Brexit deadlock and dovish FED helped raise interest in gold which rose 3%. Gold held by physically backed ETFs rose almost 2.3Moz to 72.7Moz, setting a new post-Brexit vote high. Also notable was data from the World Gold Council showing that central bank's acquired a net 651t of gold in 2018, the highest level of demand from this sector since the Gold Standard was dropped in 1971.

During the month, the Fund acquired shares in shipper BW-LPG, which we feel remains well placed to benefit from rising exports of propane, produced as a by-product of rising US onshore crude oil production.

Ordinary Share and NAV Performance³

	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Year (%)	5 Year (%)	From 1 August 2003 (%)
NAV	6.35	(6.52)	(18.57)	(24.51)	32.98	(8.63)	219.21
Share Price	3.62	(9.65)	(18.52)	(21.13)	36.56	(14.48)	175.76
Benchmark	5.62	5.33	(0.38)	2.71	100.89	37.89	299.63

Top 20 Holdings (%)⁴

	% of Portfolio		% of Portfolio
First Quantum Minerals ⁵	8.8%	BW LPG	2.5%
Rea Holdings ⁶	6.4%	Arch Coal	2.2%
Hurricane Energy ⁷	5.2%	Central Asia Metals	2.1%
Ero Copper	4.4%	National Westminster Bank	2.0%
Ascendant Resources ⁸	4.4%	NexGen Energy	2.0%
Trevali Mining	4.0%	Oilflow	1.9%
West African Resources	3.3%	Americas Silver ⁹	1.8%
Goodbuck	2.9%	Trafigura Group	1.7%
Tizir 9.5% 19/07/2022	2.6%	Fortescue Metals	1.5%
Metals X	2.5%	Raven Russia	1.4%
Top 10 holdings represent:¹⁰	44.5%	Top 20 holdings represent:¹⁰	63.6%

The Company has exposure to 127 issues.

Source: ¹Maitland Administration Services (Scotland) Limited, as at 31 January 2019. 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 January 2019. ⁵Includes First Quantum equity valued at £6,507,327 and First Quantum CLN 7.5% 01/04/2025 valued at £709,244. ⁶Includes REA Holdings 9% Cum Pref Shares valued at £4,728,860 and REA Finance 8.75% 31/08/2020 valued at £490,000. ⁷Includes Hurricane Energy equity valued at £578,934 and Hurricane Energy Convertible 7.5% 24/07/2022 valued at £3,693,707. ⁸Includes Ascendant Resources equity valued at £3,474,217 and warrants valued at £106,677. ⁹Includes Americas Silver equity valued at £1,383,959 and warrants valued at £103,226. 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 January 2019)¹⁰

AIFMD Leverage Limit Report (% NAV)

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

Source: ¹⁰All holdings data are rounded to one decimal place. ¹¹CQS, as at 31 January 2019. 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 January 2019. 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 Crayfourd 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
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