

CQS Natural Resources Growth and Income

(as at 28 February 2019)

FACTSHEET | March 2019

Launch Date

- August 2003

Statistics¹

Total Gross Assets

- £87.7m

Ordinary Share

- Net Asset Value (bid price): 110.20p
- Mid-Market Price: 92.10p

Yield (estimated)

- 6.08%

Gearing

- 12.92%

Discount

- (16.42%)

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:

- £73,710,199

At 28 February 2019, gearing stood at 12.92%. 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
- 1.26p 2nd interim: Paid 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

February saw a further improvement in commodity markets as the tone of the US-China trade discussion softened which helped lift broader sentiment, especially among the base metals. President Trump announced that he would "delay any lift to tariffs on imports from China" in response to what he described as "productive" trade talks between the representatives in Washington. This was backed-up by comments from US trade delegate, Robert Lighthizer, detailing the need for a deal to be enforceable.

The Brazilian government formally banned iron ore tailings dams of the type that failed in Brumadinho alongside the introduction of a policy requiring the decommissioning of such existing dams by 2021. This will require closure of c50 dams, affecting c180Mtpa (40%) of Brazil's production while mines are updated. Operators, such as the Fund's holding Fortescue, should disproportionately benefit from improvement in both volumes and pricing. Vale's tailings dam incident will have wider implications across commodities, potentially curtailing production and potentially benefiting copper and zinc prices.

Flooding across the state of Queensland has forced the closure of a major export rail line between zinc, lead, copper and silver mines located in the Mount Isa region and the port of Townsville, with restart not expected until the end of April. Townsville Port is estimated to ship about 40% of Australia's zinc output, equal to around 5% of global supply. Operations that may be affected are MMG's Dugald River, Glencore's Mount Isa and McArthur River and South 32's Cannington Mine. The Fund's exposure to zinc miners should benefit from the resultant tightening in supply, with LME warehouse stocks of zinc already down 50% YTD, their lowest level since 1991.

The gold price closed the month little changed at US\$1,313/oz. A progressive shift in bias towards US interest rate cuts by futures markets which has taken place since December 2018, mirroring the dovish change to FED guidance, was interrupted by better-than-expected US Q4 GDP towards the end of the month which limited gold price gains. Ongoing Brexit uncertainty may also have provided some support. Canadian gold miner, Barrick Gold, launched an \$18bn all-stock hostile takeover bid for Newmont Mining, conditional on Newmont not proceeding with its takeover of another Canadian miner, Goldcorp. Shareholders of Barrick and Newmont rejected this proposal, instead agreeing to the formation of a JV on their Nevada assets, citing material accretive synergies. The mergers of Barrick/Randgold and Newmont/Goldcorp will result in the divestment of some non-core assets. Brent rose 5.6% over the month following a 300k barrel per day decline in Venezuelan production and a shutdown of an offshore Saudi oilfield. Libyan production is now increasing and Saudi has suggested they may lift production from other fields to offset any shortfall, whilst a change in leadership in Venezuela could also see regional production recover in the longer term. The Fund continues to hold a low E&P weighting versus historic levels as we expect a material increase in US production in late 2019.

Ordinary Share and NAV Performance³

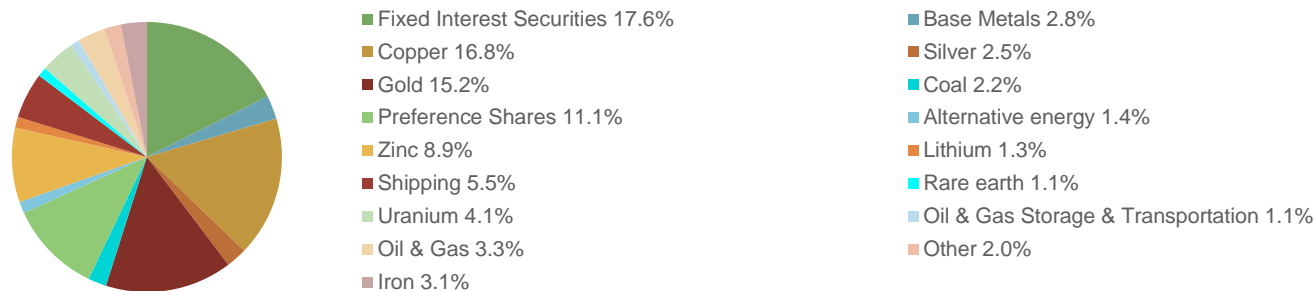
	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Year (%)	5 Year (%)	From 1 August 2003 (%)
NAV	2.23	1.08	(12.13)	(22.63)	24.48	(9.89)	226.34
Share Price	3.48	(0.74)	(10.71)	(18.04)	29.19	(10.67)	185.37
Benchmark	0.81	8.79	6.95	4.33	78.28	34.52	302.88

Top 20 Holdings (%)⁴

	% of Portfolio		% of Portfolio
First Quantum Minerals ⁵	8.5%	Central Asia Metals	2.2%
Rea Holdings ⁶	6.2%	Arch Coal	2.2%
Ero Copper	5.4%	Americas Silver ⁹	2.2%
Hurricane Energy ⁷	4.6%	Metals X	2.1%
Ascendant Resources ⁸	4.5%	National Westminster Bank 9%	2.0%
Trevali Mining	3.9%	Oilflow	1.8%
West African Resources	3.6%	NexGen Energy	1.8%
Goodbulk	2.8%	Trafigura Group	1.7%
BW LPG	2.6%	Fortescue Metals	1.6%
Tizir 9.5% 19/07/2022	2.4%	Base Resources	1.4%
Top 10 holdings represent:¹⁰	44.5%	Top 20 holdings represent:¹⁰	63.5%

The Company has exposure to 117 issues.

Source: ¹Maitland Administration Services (Scotland) Limited, as at 28 February 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 28 February 2019. ⁵Includes First Quantum equity valued at £6,379,673 and First Quantum CLN 7.5% 01/04/2025 valued at £723,352. ⁶Includes REA Holdings 9% Cum Pref Shares valued at £4,679,601 and REA Finance 8.75% 31/08/2020 valued at £485,000. ⁷Includes Hurricane Energy equity valued at £498,082 and Hurricane Energy Convertible 7.5% 24/07/2022 valued at £3,361,529. ⁸Includes Ascendant Resources equity valued at £3,636,200 and warrants valued at £126,251. ⁹Includes Americas Silver equity valued at £1,789,827. 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 28 February 2019)¹⁰

AIFMD Leverage Limit Report (% NAV)

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

Source: ¹⁰All holdings data are rounded to one decimal place. ¹¹CQS, as at 28 February 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 28 February 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

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