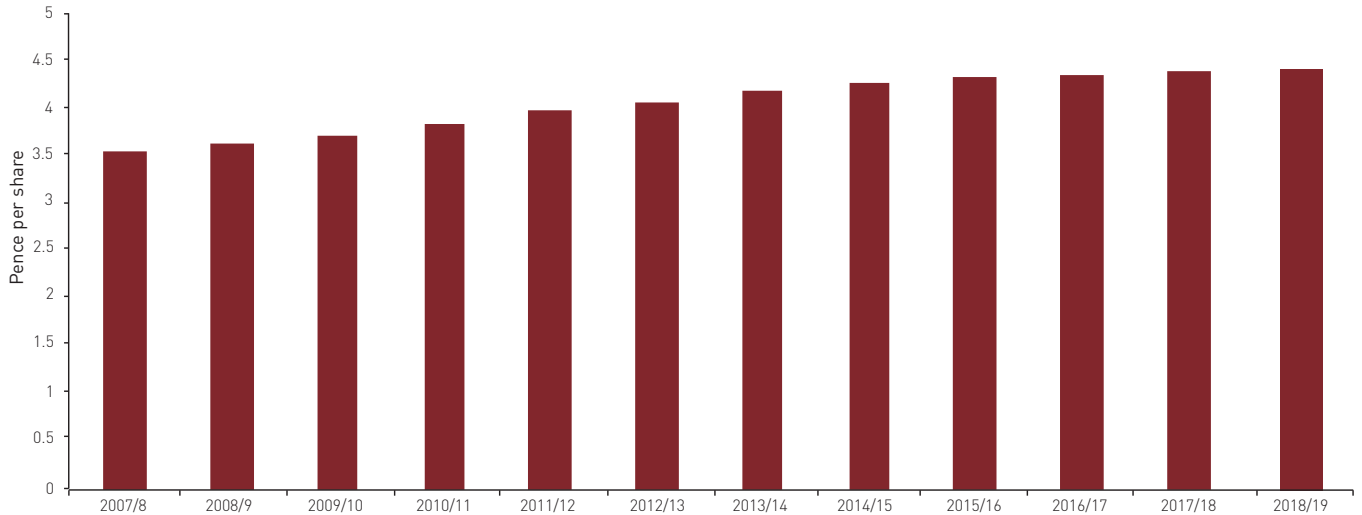

CQS NEW CITY
HIGH YIELD FUND
LIMITED

INTERIM REPORT

31 DECEMBER 2018

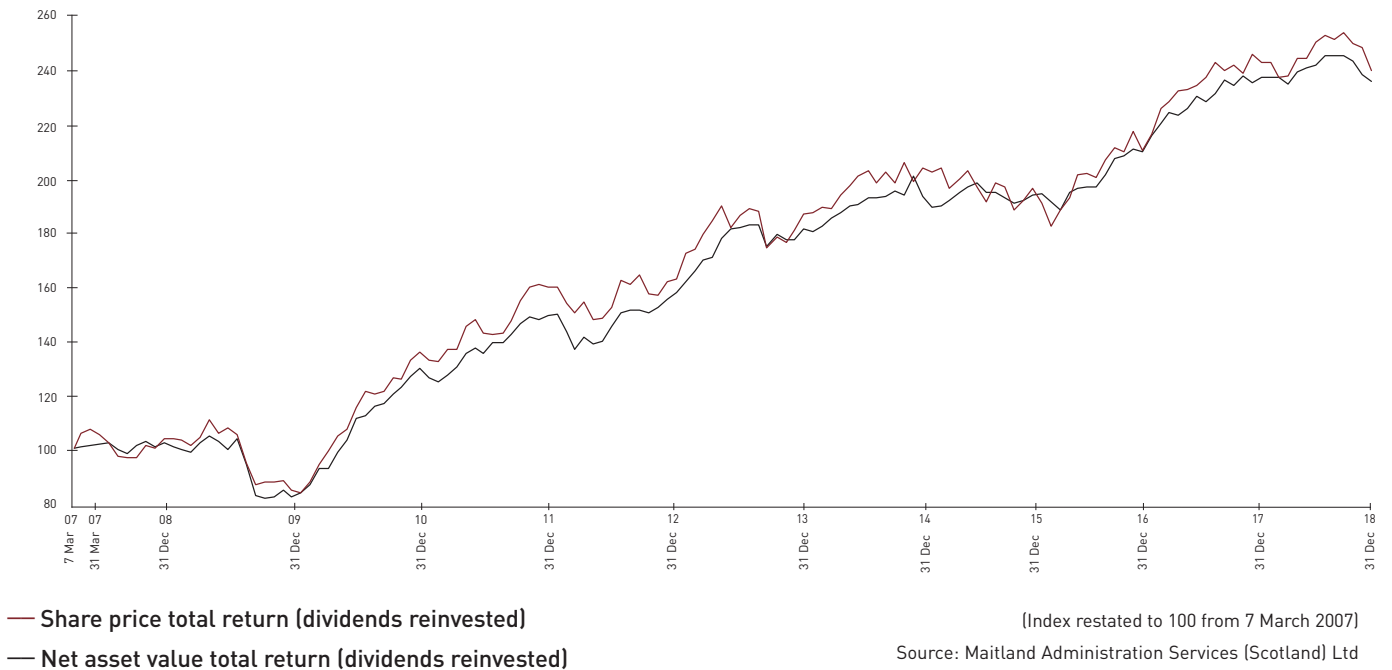
Dividends Declared in Respect of Each Financial Year



*2018/19 assumes that the third interim dividend in respect of the financial year ended 30 June 2019 remains in line with the second interim dividend paid for that year at 1.00 pence per share and that the fourth interim dividend is in line with the fourth interim dividend paid in respect of the financial year ended 30 June 2018 of 1.45 pence per share.

Source: Maitland Administration Services (Scotland) Ltd

Net Asset Value Total Return and Share Price Total Return



Our Objective

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

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Financial Highlights

Total Return*	Six months to 31 December 2018	Six months to 31 December 2017
Net asset value	-2.40%	3.92%
Ordinary share price	-4.25%	2.70%

Capital Values	31 December 2018	30 June 2018	% change
Total assets less current liabilities (with the exception of the bank loan facility)	£246.6m	£259.1m	-4.82%
Net asset value per ordinary share	53.77p	57.63p	-6.70%
Share price (mid market)	56.60p	61.75p	-8.34%

Revenue and Dividends	Six months to 31 December 2018	Six months to 31 December 2017	% change
Revenue earnings per ordinary share	2.41p	2.17p	+11.1%
Dividends per ordinary share	2.00p	1.98p	+1.01%

Other Highlights	31 December 2018	30 June 2018
Premium*	5.26%	7.15%
Gearing*	10.29%	10.45%

Dividend History	Rate	xd date	Record date	Payment date
First interim 2019	1.00p	25 October 2018	26 October 2018	30 November 2018
Second interim 2019	1.00p	24 January 2019	25 January 2019	28 February 2019
Total	2.00p			
First interim 2018	0.99p	26 October 2017	27 October 2017	30 November 2017
Second interim 2018	0.99p	25 January 2018	26 January 2018	28 February 2018
Third interim 2018	0.99p	26 April 2018	27 April 2018	31 May 2018
Fourth interim 2018	1.45p	26 July 2018	27 July 2018	31 August 2018
Total	4.42p			

* A glossary of the terms used can be found on page 16.

Statement from the Chair

Highlights for the six month period

- Net asset value total return of - 2.40%
- Ordinary share price total return of -4.25%
- Dividend yield of 7.86%, based on dividends at an annualised rate of 4.45 pence and a share price of 56.60 pence as at 31 December 2018
- Ordinary share price at a premium of 5.26% as at 31 December 2018
- £3.3m of equity raised during the six months to 31 December 2018

Investment and Share Price Performance

The six months ended 31 December 2018 covered by this interim report have seen subdued performance for your Company with a net asset value return of - 2.40% and a share price total return for the same period of -4.25%. The Company's shares have continued to trade at a premium to their net asset value and as at 31 December 2018 this stood at 5.26%, slightly down from the 7.15% premium at the start of the review period. The average premium over the year to 31 December 2018 was 5.79% and over three years 4.65%.

The market backdrop to your Company's results has been eventful with the Brexit endgame being played out, interest rates rising in the UK and the US and equity markets experiencing falls, particularly towards the end of 2018. Ian Francis, your Investment Manager, discusses the six months in more detail in his review on page 4.

Earnings and Dividends

The Company's earnings per share were 2.41 pence for the six months, 11% higher than the 2.17 pence earned in the same period last year and covering the dividends paid.

The Company declared two dividends of 1.0 pence each in the period, an increase of 1.0% on those declared in the same period last year. In the absence of unforeseen circumstances, the Board expects to follow the same pattern of dividend payments as declared in the last three years (ie the first 3 quarterly dividends the same amount and the final dividend a little bigger) and, based on a projected total dividend for the current financial year of 4.45 pence and a share price of 57.00 pence at the time of writing, this represents a very attractive dividend yield of 7.81%.

The Board pays close attention to dividends and since the Company's launch in 2007, dividends paid have increased every year. This is illustrated by the graph on the inside front cover.

Gearing

The Company replaced its existing one year £30m loan facility with Scotiabank in December 2018 with a new two year £35m facility with the same bank at a current all-in rate of 2.01%. With the exception

of its term, the facility is comparable to the one that it replaced. £28m was drawn down at 31 December 2018 and the Company had an effective gearing rate of 10.3%.

Share Issuance

Taking advantage of the premium rating that the market continues to attach to your Company's shares, £3.3m was raised from new and existing shareholders during the review period, with 5.5m ordinary shares issued from the block listing facility. A further £1.8m has been raised since 31 December 2018. As well as a modest increase in net asset value from any issue of shares, over time existing shareholders benefit from lower ongoing charges and greater liquidity in the Company's shares, all other things being equal.

Board Changes

I took over the Chair on 14 December 2018, close to the end of the period under review, and on behalf of shareholders, the Board would like to express much appreciation to my predecessor, Jimmy West, who retired at the Annual General Meeting held on that date. Jimmy had been Chair of the Company since its launch in Jersey in January 2007, a period which saw the Company more than quadruple in size and, as mentioned above, continue to increase dividends every year. His experience and dedication to the Company will be missed.

Administration Changes

Our Company Secretary and Jersey administrators, R&H Fund Services (Jersey) Limited, informed us just before the end of the review period that they were terminating their agreement with your Company as they wish to exclude relationships where they only provide some, but not all, of the administrative functions. The notice period is one year.

The Board has therefore started a process of selecting new administrators and as at the time of writing, a number of companies have been approached. I am confident that a new administrator will be in place comfortably before the end of the calendar year.

Outlook

A combination of Brexit, 'quantitative tightening' and US/China trade war tensions amounts to a challenging macro-economic and political background. Whilst this environment may suggest the market outlook is difficult, your Manager believes uncertainty can present investment opportunities for the portfolio. Indeed the company would not be issuing more shares unless your Manager is confident of identifying these. Moreover, his proven track record provides important comfort, and diversity in your Company's portfolio remains a great strength.

Caroline Hitch
Chair

11 March 2019

*A glossary of the terms used can be found on page 16.

Investment Manager's Review

Another six months has passed in the great Brexit imbroglio and as I write this the end game still seems a long way from being resolved even as the clock continues to tick. The political impasse has spilled over into the real world economy as UK consumers increasingly put off major decisions until some Brexit resolution appears. The retail and motor sectors are continuing to have a torrid time and the housing market is undergoing a sharp slowdown. There are some glimmers of strength showing as the number of people in employment has just reached an all-time high.

In August the Bank of England increased the base rate by 25bp for just the second rise in the last 10 years. Worryingly savings rates are still falling and consumers are relying on their credit cards to continue spending. On Brexit we still believe that there is too much to lose for both sides and some sort of compromise will be fashioned that can be accepted.

Turning to Europe the six months to 31st December saw political changes in Germany with Chancellor Merkel stepping down as party leader and setting an end date to her time as Chancellor. In France, President Macron tried and failed to implement economic reforms with fuel tax increases acting as a catalyst to widespread protests across France. The bond market in particular focussed on Italy with the new coalition government setting a very expansionist budget against virtually zero economic growth. Overall European economies are struggling with low growth and negative sentiment exacerbated by fears of Trade wars and Brexit uncertainty.

The United States in economic terms continued to perform strongly with impressive GDP growth and unemployment falling and wages rising. The Federal Reserve Bank has been increasing rates steadily on the back of continuing strength in the US economy. President Trump's increasing tariffs on China and attacks on natural US allies have started to weigh much more negatively on sentiment and the US stock market fell sharply in November and December as worries about future growth prospects appeared.

The weak equity stock markets seen in the last quarter of 2018 spilled over to the High Yield Corporate Bond market and there was a marked slowdown in activity. We saw the gap between the quoted buying and selling prices of bonds increase and liquidity decrease. For our portfolio this has the effect of reducing the net asset value as we mark our prices to the bottom of a wider spread. This reinforces the benefit of the investment company structure as we can ride out this period of volatility as we are not forced to sell in these illiquid markets. We continue to maintain a diversified portfolio across a range of sectors and have a good proportion of the portfolio in non-sterling currencies. For the six months the net asset value fell by 4.3% with income re-invested with the yield on the share price being 7.86% at the end of December.

Our portfolio activity was fairly muted during the six months under review – a new appearance in the top 10 holdings is Wittur International 8.5% 2023 – the Company is a German based manufacture of lift equipment. We also made an investment into Floatel International 9% 2024 which as the name implies is a US based supplier of floating hotels principally for the oil industry.

Ian Francis

New City Investment Managers

11 March 2019

Classification of Investment Portfolio

By Currency	As at 31 December 2018 Total investments %	As at 31 December 2017 Total investments %	As at 30 June 2018 Total investments %
Sterling	71	71	73
US Dollar	20	20	19
Euro	7	5	5
Australian Dollar	1	1	1
Swedish Krona	-	2	1
Norwegian Krone	1	1	1
Total investments	100	100	100

By Asset Class	As at 31 December 2018 Total investments %	As at 31 December 2017 Total investments %	As at 30 June 2018 Total investments %
Bonds	83	83	84
Equity shares	12	15	13
Convertible bonds	5	2	3
Total investments	100	100	100

By Quotation	As at 31 December 2018 Total investments %	As at 31 December 2017 Total investments %	As at 30 June 2018 Total investments %
Listed/Quoted on a recognised investment exchange	96.3	100.0	96.6
Unquoted	3.7	-	3.4
Total investments	100.0	100.0	100.0

Classification of Investment Portfolio by Sector

	Dec 2018 % of total investments	Dec 2017 % of total investments	Jun 2018 % of total investments
Oil & Gas	7.4	4.9	6.5
Basic Materials	3.2	2.3	3.0
Industrials	7.1	6.2	7.6
Consumer Goods	10.1	8.5	10.3
Consumer Services	11.6	15.2	13.7
Healthcare	0.3	0.2	0.2
Telecommunications	2.4	3.3	3.1
Utilities	-	0.3	-
Financials	55.0	56.8	53.4
Technology	2.9	2.3	2.1
Total Investments	100.0	100.0	100.0

Investment Portfolio

as at 31 December 2018

Company	Sector	Valuation £'000	Total Investments %
Punch Taverns 7.75% 30/12/2025	Restaurants & Bars	9,485	4.0
CYBG 8% VAR PERP	Banks	8,200	3.5
Shawbrook Group 7.875% VAR PERP	Financial	7,704	3.2
Perform Group Financing 8.5% 15/11/2020	Financial	7,521	3.2
Galaxy Finco Ltd 7.875% 15/11/2021	Insurance	7,420	3.1
Rea Finance 8.75% 31/08/2020	Food Products	6,730	2.8
Wittur Intl 8.5% 15/02/2023	Technology	5,848	2.5
Onesavings Bank Plc 9.125% VAR PERP	Banks	5,783	2.4
Matalan Finance 9.5% 31/01/2024	Consumer Goods	5,496	2.3
Barclays Bank 7% VAR PERP	Banks	5,743	2.4
Top ten investments		69,930	29.5
Euronav Luxembourg SA 7.5% 31/05/2022	Financial	5,667	2.4
Partnership Life Assurance 9.5% 24/03/2025	Insurance	5,302	2.2
TES Finance Plc 6.75% 15/07/2020	Financial	5,176	2.2
Unique Pub Finance 7.395% 28/03/2024	Restaurants & Bars	5,263	2.2
Garfunkelux Holdco 11% 01/11/2023	Insurance	4,956	2.1
JRP Group Plc 9% 26/10/2026	Financial	4,571	1.9
Virgin Money 8.75% VAR PERP	Banks	4,458	1.9
Balfour Beatty PREF 9.675% 01/07/2020	Construction	4,368	1.8
Hertz Corp 7.375% 15/01/2021	Consumer Services	4,175	1.8
Ardonagh Midco Three Plc 8.375% 15/07/2023	Financial	4,124	1.7
Top twenty investments		117,990	49.7
Aldermore Group 11.875% VAR PERP	Banks	3,989	1.7
Hurricane Energy Plc Convertible 7.5% 24/07/2022	Oil & Gas	,882	1.6
Rea Holdings PREF	Food Products	3,831	1.6
Tizir Ltd 9.5% 19/07/2022	Mining	3,670	1.5
Altice SA 7.75% 15/05/2022	Telecommunications	3,574	1.5
Permanent TSB 8.625% VAR PERP	Banks	3,351	1.4
Raven Russia Limited 12% PREF	Real Estate	3,410	1.4
Aggre Micro 8% 17/10/2036	Industrials	3,333	1.4
PizzaExpress Financing 8.625% 01/08/2022	Restaurants & Bars	2,819	1.2
Bombardier Inc 7.5% 15/03/2025	Industrials	2,940	1.2
Top thirty investments		152,789	64.4
Virgin Money 7.875% VAR PERP	Banks	2,962	1.2
LBG 7.875% VAR PERP	Banks	2,968	1.3
Channel Islands Property Fund	Real Estate	2,940	1.2
SQN Secured Income Fund	Financial	2,920	1.2
New Look Secured Issuer 6.5% 01/07/2022	Consumer Goods	2,860	1.2
Johnston Press Bond 8.625% 01/06/2019	Media	2,702	1.1
Nationwide Building Society 10.25% VAR PERP	Banks	2,609	1.1
UBS Group AG 7% VAR PERP	Banks	2,390	1.0
Deutsche Bank 7.125% VAR PERP	Banks	2,380	1.0
RM Secured Direct Lending	Financial	2,500	1.1
Top forty investments		180,020	75.9

Company	Sector	Valuation £'000	Total Investments %
Shamaram Petroleum Corp 12% 05/07/2023	Oil & Gas	2,335	1.0
Oilflow SPV 1 DAC 12% 13/01/2022	Oil & Gas	2,330	1.0
American Tanker Inc 9.25% 22/02/2022	Oil & Gas	2,267	1.0
VPC Speciality Lending Investments	Financial	2,286	1.0
HDL Debenture 10.375% 31/07/2023	Real Estate	2,177	0.9
Doric Nimrod Air Three	Industrials	2,211	0.9
Borealis Finance 7.5% 16/11/2022	Financial	2,184	0.9
Altice SA 7.25% 15/05/2022	Telecommunications	2,091	0.9
Gran Colombia Gold Corp 8.25% 30/04/2024	Basic Materials	2,132	0.9
Lloyds Banking Group 7.625% VAR PERP	Banks	2,012	0.8
Top fifty investments		202,045	85.2
Oaknorth Bank VAR 01/06/2028	Banks	1,980	0.8
SB Holdco FRN 13/07/2022	Consumer Goods	1,774	0.7
Garfunkelux Holdco 3 SA 8.5% 01/11/2022	Insurance	1,759	0.7
Euronav	Financial	1,664	0.7
Oro Negro 7.5% 24/01/2019	Oil & Gas	1,623	0.7
Greene King	Consumer Goods	1,581	0.7
Personalhuset Staffing FRN 11/09/2019	Support Services	1,561	0.7
Barclays Plc 7.875% VAR PERP	Banks	1,500	0.6
Floatel International 9% 11/04/2024	Oil & Gas	1,469	0.6
Bluewater Holding BV 10% 28/11/23	Industrials	1,470	0.6
Top sixty investments		218,426	92.1
Palace Capital	Real Estate	1,465	0.6
Regional REIT Ltd NPV	Real Estate	1,374	0.6
Veritas US Inc 7.5% 01/02/2023	Technology	1,280	0.5
Altice Financing SA 7.5% 15/05/2026	Telecommunications	1,076	0.5
Tufton Oceanic Assets	Financial	1,095	0.5
Principality Building Society 7% VAR PERP	Financial	1,019	0.4
Gresham House Storage	Oil & Gas	1,020	0.4
Navigator Holdings 7.75% 10/02/2021	Oil & Gas	899	0.4
Croma Security Solutions	Consumer Services	840	0.4
Diversified Gas & Oil	Oil & Gas	804	0.3
Top seventy investments		229,298	96.7
Other investments (36)		7,881	3.3
Total investments		237,179	100.0
Notes:			
FRN – Floating Rate Note	VAR – Variable		
PERP – Perpetual	Pref – Preference Shares		

Top Ten Largest Holdings

as at 31 December 2018

	Valuation 30 June 2018 £'000	Purchases £'000	Sales £'000	(Depreciation)/ Appreciation £'000	Valuation 31 December 2018 £'000
Punch Taverns 7.75% 30/12/2025 A public house operator in the United Kingdom.	9,663	-	-	(178)	9,485
CYBG 8% Variable Perpetual A British banking company concentrating on UK Retail and SME regional banking services.	7,997	1,007	-	(804)	8,200
Shawbrook Group 7.875% Variable Perpetual A British multinational banking and financial services company.	6,024	1,867	-	(187)	7,704
Perform Group Financing 8.5% 15/11/2020 A global company distributing multimedia digital sports information.	7,612	-	-	(91)	7,521
Galaxy Finco Ltd 7.875% 15/11/2021* A specialist provider of warranties for consumer electric products.	7,505	-	-	(85)	7,420
REA Finance 8.75% 31/08/2020 Cultivator of oil palms and production of crude palm oil and palm products.	6,867	-	-	(137)	6,730
Wittur Intl 8.5% 15/02/2023 Provides elevators and parts globally.	4,090	1,799	-	(41)	5,848
Onesavings Bank Plc 9.125% Variable Perpetual A British banking company specialising in residential, buy to let and commercial mortgages.	5,938	-	-	(155)	5,783
Matalan Finance 9.5% 31/01/2024 Owner and operator of Matalan stores.	6,187	-	-	(691)	5,496
Barclays Bank 7% Variable Perpetual A British multinational banking and financial services company.	6,009	-	-	(266)	5,743
	67,892	4,673	-	(2,635)	69,930

At 31 December 2018 these investments totalled £69,930k or 29.5% of the portfolio.

* Galaxy Finco is the holding company for Domestic and General Insurance.

Condensed Income Statement

For the six months ended 31 December 2018

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	Notes	Six months ended 31 December 2018 (unaudited)			Six months ended 31 December 2017 (unaudited)			Year ended 30 June 2018 (audited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Capital gains on investments										
Gains on investments	3	-	(15,251)	(15,251)	-	212	212	-	(5,499)	(5,499)
Exchange (losses)/gains		-	(114)	(114)	-	174	174	-	220	220
Revenue										
Income	4	11,037	-	11,037	9,443	-	9,443	20,033	-	20,033
Total income		11,037	(15,365)	(4,328)	9,443	386	9,829	20,033	(5,229)	14,804
Expenses										
Investment management fee	5	(748)	(250)	(998)	(730)	(243)	(973)	(1,478)	(493)	(1,971)
Other expenses		(333)	(29)	(362)	(322)	-	(322)	(656)	(192)	(848)
Total expenses		(1,081)	(279)	(1,360)	(1,052)	(243)	(1,295)	(2,134)	(685)	(2,819)
Profit before finance costs and taxation		9,956	(15,644)	(5,688)	8,391	143	8,534	17,899	(5,914)	11,985
Finance costs										
Interest receivable		5	-	5	-	-	-	5	-	5
Interest payable and similar charges		(178)	(59)	(237)	(128)	(43)	(171)	(282)	(94)	(376)
Profit before taxation		9,783	(15,703)	(5,920)	8,263	100	8,363	17,622	(6,008)	11,614
Irrecoverable withholding tax		(38)	-	(38)	(74)	-	(74)	(137)	-	(137)
Profit after taxation		9,745	(15,703)	(5,958)	8,189	100	8,289	17,485	(6,008)	11,477
Earnings per ordinary share (pence)										
	6	2.41	(3.88)	(1.47)	2.17	0.02	2.19	4.54	(1.56)	2.98

The total column of this statement represents the Company's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement are derived from continuing operations.

No operations were acquired or discontinued during the period.

There is no comprehensive income as all income is recorded in the Income Statement above.

Condensed Balance Sheet

As at 31 December 2018

	Notes	As at 31 December 2018 (unaudited) £'000	As at 31 December 2017 (unaudited) £'000	As at 30 June 2018 (audited) £'000
Non-current assets				
Investments held at fair value		237,179	247,383	253,081
Current assets				
Other receivables		4,475	4,813	4,298
Cash and cash equivalents		5,506	1,861	3,850
		9,981	6,674	8,148
Total assets		247,160	254,057	261,229
Current liabilities				
Bank loan facility	7	(28,000)	(28,000)	(28,000)
Other payables		(618)	(222)	(2,161)
Total liabilities		(28,618)	(28,222)	(30,161)
Net assets		218,542	225,835	231,068
Stated capital and reserves				
Stated capital account	8	181,714	168,646	178,424
Special distributable reserve		50,385	50,385	50,385
Capital reserve		(30,468)	(8,657)	(14,765)
Revenue reserve		16,911	15,461	17,024
Equity shareholders' funds		218,542	225,835	231,068
Net asset value per ordinary share (pence)	9	53.77	58.58	57.63

Approved by the Board of Directors on 11 March 2019 and signed on its behalf by:

Caroline Hitch
Chair

Condensed Statement of Changes in Equity

For the six months ended 31 December 2018 (unaudited)

11

	Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 1 July 2018		178,424	50,385	(14,765)	17,024	231,068
Total comprehensive income for the period:						
Profit for the period		-	-	(15,703)	9,745	(5,958)
Transactions with shareholders recognised directly in equity:						
Dividends paid	2	-	-	-	(9,858)	(9,858)
Issue of shares		3,290	-	-	-	3,290
At 31 December 2018		181,714	50,385	(30,468)	16,911	218,542

For the six months ended 31 December 2017 (unaudited)

	Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 1 July 2017		159,647	50,385	(8,757)	16,400	217,675
Total comprehensive income for the period:						
Profit for the period		-	-	100	8,189	8,289
Transactions with shareholders recognised directly in equity:						
Dividends paid	2	-	-	-	(9,128)	(9,128)
Issue of shares		8,999	-	-	-	8,999
At 31 December 2017		168,646	50,385	(8,657)	15,461	225,835

For the year ended 30 June 2018 (audited)

	Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 1 July 2017		159,647	50,385	(8,757)	16,400	217,675
Total comprehensive income for the year:						
Profit for the year		-	-	(6,008)	17,485	11,477
Transactions with owners recognised directly in equity:						
Dividends paid	2	-	-	-	(16,861)	(16,861)
Issue of shares		18,777	-	-	-	18,777
At 30 June 2018		178,424	50,385	(14,765)	17,024	231,068

Condensed Cash Flow Statement

For the six months ended 31 December 2018

	Six months ended 31 December 2018 (unaudited) £'000	Six months ended 31 December 2017 (unaudited) £'000	Year ended 30 June 2018 (audited) £'000
Operating activities			
(Loss)/profit before costs and taxation	(5,920)	8,363	11,614
Losses/(gains) on investments	15,251	(212)	5,449
Effective yield adjustment	(440)	(461)	(837)
Exchange losses/(gains)	114	(174)	(220)
Increase in other receivables	(176)	(798)	(283)
Increase/(decrease) in other payables	358	(32)	(10)
Net cash inflow from operating activities	9,187	6,686	15,713
Irrecoverable withholding tax paid	(38)	(74)	(137)
Net cash inflow from operating activities	9,149	6,612	15,576
Investing activities			
Purchases of investments	(16,230)	(46,372)	(78,028)
Sales of investments	15,419	31,745	54,335
Net cash outflow from investing activities	(811)	(14,627)	23,693
Financing activities			
Equity dividends paid	(9,858)	(9,128)	(18,861)
Drawdown of bank loan facility	-	3,000	3,000
Issue of ordinary shares	3,290	8,999	18,777
Net cash inflow/(outflow) from financing activities	(6,568)	2,871	4,916
Decrease in cash and cash equivalents	1,770	(5,144)	(3,201)
Cash and cash equivalents at the start of the period	3,850	6,831	6,831
Cashflow	1,770	(5,144)	(3,201)
Exchange gains	(114)	174	220
Cash and cash equivalents at the end of the period[†]	5,506	1,861	3,850

[†] Net debt includes cash held at bank and bank loan facility.

Notes to the Accounts

1. Basis of Preparation

The unaudited interim results which cover the six month period to 31 December 2018 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", and the accounting policies as set out in the statutory accounts of the Company for the year to 30 June 2018.

Going concern

The condensed financial statements have been prepared on the going concern basis. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2. Dividends

Amounts recognised as distributions to equity holders in the period:

	Six months ended 31 December 2018		Six months ended 31 December 2017		Year ended 30 June 2018	
	£'000	Rate (pence)	£'000	Rate (pence)	£'000	Rate (pence)
In respect of the previous period:						
Fourth interim dividend	5,814	1.45	5,392	1.45	5,392	1.45
In respect of the period under review:						
First interim dividend	4,044	1.00	3,736	0.99	3,736	0.99
Second interim dividend	-	-	-	-	3,854	0.99
Third interim dividend	-	-	-	-	3,879	0.99
	9,858	2.45	9,128	2.44	16,861	4.42

A second interim dividend in respect of the year ending 30 June 2019 of 1.00p per ordinary share was paid on 28 February 2019 to shareholders on the register on 25 January 2018. In accordance with International Financial Reporting Standards ("IFRS") this dividend has not been included as a liability in these accounts.

3. Investment Gains

Included within gains on investments for the period ended 31 December 2018 are realised losses of £5,777,000 (31 December 2017: gains of £47,000 and at 30 June 2018: losses of £3,537,000) and unrealised losses of £9,474,000 (31 December 2017: gains of £165,000 and at 30 June 2018: losses of £1,912,000).

4. Income

The breakdown of income for the period was as follows:

	Six months ended 31 December 2018 £'000	Six months ended 31 December 2017 £'000	Year ended 30 June 2018 £'000
Income from investments:			
Dividend income	873	815	2,144
Interest on fixed interest securities	10,164	8,628	17,889
Total income	11,037	9,443	20,033

5. Investment Management Fee

The Company's investment manager is CQS which has delegated this function to NCIM. The contract between the Company and CQS may be terminated by either party giving not less than 12 months notice of termination. CQS receive a basic monthly fee at the rate of 0.8 per cent per annum of the Company's total assets (less current liabilities other than bank borrowings), payable in arrears up to and including £200,000,000 and 0.7 per cent per annum above this. During the period investment management fees of £998,000 were incurred, of which £495,000 was payable at the period end.

6. Earnings per Ordinary share

The revenue earnings per ordinary share is based on the net profit after taxation of 9,745,000 (31 December 2017: £8,189,000 and 30 June 2018: £17,485,000 and on a weighted average of 404,361,694 (31 December 2017: 378,077,258 and 30 June 2018: 385,436,978) ordinary shares in issue throughout the period.

The capital return per ordinary share is based on a net capital loss of £15,703,000 (31 December 2017: a net capital gain of £100,000 and 30 June 2018: a net capital loss of £6,008,000) and on a weighted average of 404,361,694 (31 December 2017: 378,077,258 and 30 June 2018: 385,436,978) ordinary shares in issue throughout the period.

Notes to the Accounts (continued)

7. Bank Loan Facility

	31 December 2018 £'000	31 December 2017 £'000	30 June 2018 £'000
Bank loan facility	28,000	28,000	28,000

The Company has a short term loan facility with Scotiabank which is due to expire in December 2022.

As at the period end the unsecured loan facility had a limit of £35 million of which £28 million was drawn down as at 31 December 2018.

8. Stated Capital Account

Authorised

The authorised share capital of the Company is represented by an unlimited number of ordinary shares of no par value.

Allotted, called up and fully-paid	Number of ordinary shares	2018 £'000
Total issued share capital at 1 July 2018	400,951,858	178,424
2,500,000 ordinary shares of no par value allotted on 27 July 2018 at 60.40p	2,500,000	1,510
1,000,000 ordinary shares of no par value allotted on 28 August 2018 at 60.75p	1,000,000	607
1,000,000 ordinary shares of no par value allotted on 31 October 2018 at 58.70p	1,000,000	587
1,000,000 ordinary shares of no par value allotted on 22 November 2018 at 58.60p	1,000,000	586
Total issued share capital at 31 December 2018	406,451,858	181,714

The balance of shares left in Treasury as at 31 December 2018 was nil.

On 15 May 2018, a block listing facility for 40,000,000 new shares was approved by the UK Listing Authority.

9. Net Asset Value per Ordinary share

The net asset value per ordinary share is based on net assets at the period end of £218,542,000 (31 December 2017: £225,835,000 and 30 June 2018: £231,068,000) and on 406,451,858 (31 December 2017: 385,524,417 and 30 June 2018: 400,951,858) ordinary shares, being the number of ordinary shares in issue at the period end.

10. Related Parties

The following are considered related parties: the Board of Directors ("the Board") and CQS/New City Investment Managers ("the Investment Manager"):

All transactions with related parties are carried out on an arm's length basis.

There are no other transactions with the Board other than aggregated remuneration for services as Directors. There are no outstanding balances to the Board at the period end.

Details of the fee arrangement with the Investment Manager are disclosed in note 5.

11. Financial Information

These are not statutory accounts in terms of Section 434 of the Companies Act 2006 and have not been audited or reviewed by the Company's auditors. The information for the year ended 30 June 2018 has been extracted from the latest published financial statements which received an unqualified audit report and have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 30 June 2018 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

12. Post Balance Sheet Event

There were three share issues post the period end.

On 6 February 2019, 1,100,000 ordinary shares were allotted at a price of 56.8p.

On 12 February 2019, 1,000,000 ordinary shares were allotted at a price of 57.2p.

On 22 February 2019, 1,000,000 ordinary shares were allotted at a price of 57.2p.

Directors' Statements

Directors' Statement of Principal Risks and Uncertainties

The Company's assets consist principally of listed fixed interest securities and its principal risks are therefore market related. The Company is also exposed to currency risk in respect of the markets in which it invests. Other key risks faced by the Company relate to investment and strategy, market, financial, earnings and dividend, operational, gearing, key person, regulatory and political matters. These risks, and the way in which they are managed, are described in more detail under the heading 'Principal risks and risk management' within the Directors' Report and Business Review contained within the Company's annual report and accounts for the year ended 30 June 2018. The Company's principal risks and uncertainties have not changed materially since the date of the report and are not expected to change materially for the rest of the Company's financial year.

Directors' Responsibility Statement in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Statement from the Chair and Investment Manager's Review includes a fair review of the information required by the Disclosure Guidance and Transparency Rules ("DTR") 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Directors' Statement of Principal Risks and Uncertainties shown above is a fair review of the information required by DTR 4.2.7R; and
- the condensed set of financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during that period, and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board

Caroline Hitch
Chair

11 March 2019

Glossary of Terms and Definitions

Asset Cover	The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.
Discount/Premium	The amount by which the market price per share of an investment trust is lower or higher than the net asset value per share. The discount or premium is normally expressed as a percentage of the net asset value per share.
Dividend Cover	Earnings per share divided by dividends per share expressed as a ratio.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
Gearing	The level of borrowing that the Company has undertaken. Represented by total assets (as below) less all cash, expressed as a percentage of shareholders' funds minus 100.
Net Asset Value or NAV	The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. To calculate the net asset value per ordinary share, the net asset value divided by the number of shares in issue produces the net asset value per share.
Ongoing Charges Ratio	A measure of all operating costs incurred in the reporting period, calculated as a percentage of average net assets in that year. Operating costs exclude costs suffered within underlying investee funds, costs of buying and selling investments, interest costs, taxation and the costs of buying back or issuing ordinary shares.
Prior Charges	The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.
Redemption Yield	The measure of the annualised total return on the current price of a security up to the date of its repayment. The calculation is based on aggregated income and capital returns, no account being taken of taxation.
Revenue earnings per share	The revenue earnings for the period divided by the weighted average number of shares.
Total Assets	Total assets less current liabilities (excluding prior charges as defined above).
Total Return	The return to shareholders calculated on a per share basis by adding dividends paid and declared in the period to the increase or decrease in the share price or net asset value. The dividends are assumed to have been reinvested in the form of ordinary shares or net assets.

Registered Number

95691

Registered Office

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Shareholder Information

Net Asset Value/Share Price

The net asset value of the Company's ordinary shares may be obtained by contacting CQS on 0207 201 6900 or by email at clientservice@cqsm.com or alternatively by visiting the Company's web site at www.ncim.co.uk.

CQS NEW CITY
HIGH YIELD FUND
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