

CQS Natural Resources Growth and Income

(as at 30 April 2019)

FACTSHEET | May 2019

Launch Date

- August 2003

Statistics¹

Total Gross Assets

- £85.4m

Ordinary Share

- Net Asset Value (bid price): 111.22p
- Mid-Market Price: 91.10p

Yield (estimated)

- 6.15%

Gearing

- 13.48%

Discount

- (18.09%)

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:

- £74,391,937

At 30 April 2019, gearing stood at 13.48%. The Company held £1.0m 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
- 1.26p 3rd interim: Payable 24 May 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

Including a 1.26p interim dividend, the Fund return was little changed over the month.

Tensions around the ongoing US-China trade war continued to ease through the month, accompanied by strong data on loans, however, the improved backdrop was quickly undone in the second week of May as Trump tweeted that the US would increase tariffs at the end of that week. China's chief negotiator is heading to the US on Friday 10 May, suggesting this comment may already be out of date. US trade tensions with the EU also increased, with tariffs planned on \$11bn of EU imports in response to subsidies provided to Airbus.

China released slightly better-than-expected Q1 GDP figures of 6.4% in early April. Regional property price data was also supportive to sentiment, with the average price of new homes in 70 Chinese cities increasing 10.6% YoY in March, an improvement on the 10.4% February figure and the strongest annual gain since April 2017. The auto sector remained a drag across most regions though the slowdown in China showed signs of improving.

Iron ore continues to trade strongly, negatively impacting the Fund versus the FTSE majors. Rio Tinto reported cyclone damage in Port Hedland that would impact 14Mtpa of exports, adding to the 75Mtpa of disrupted Vale production. Vale's iron ore tailings dam accident may have wider reaching implications across the mining industry, including base metal output. As an example, China is reportedly considering suspending 1,000 mines this year to assess tailings issues, raising the risk of disruptive effects across the broader suite of metals.

The trader, Trafigura, the largest shareholder of zinc smelter Nyrstar, is to take control of the company as part of a capital restructuring plan. Zinc prices softened following the news, since this reduced the possibility of a supply disruption.

The oil price was stronger as Venezuelan and Iranian production declines continued. Venezuelan production will remain pressured unless the incumbent, President Maduro, can be replaced by US-backed challenger Guaido, which would allow current sanctions to be removed. While Iranian production is expected to decline following enforcement of US sanctions, restricting other nations from purchasing oil from the region, from May 2nd, Saudi Arabia stated its would produce more crude to offset Iranian declines. In addition, ongoing unrest continues to remain a risk to 1.1Mbpd of Libyan output. Despite the price support provided by political instability in these regions, we remain cautious on oil price as additional US pipeline capacity comes online in 2H19. Chevron announced a \$33bn offer for Anadarko, primarily for their sizeable Permian exposure, highlighting the value that the industry attributes to prospects in the basin.

Precious metal prices eased back, reflecting some softening in US-China trade tensions. The Philadelphia Fed forecast, at the most, one more rate increase in 2019 and a single hike during 2020, a more hawkish stance than the implied rate curve bias for a 25bp cut later this year, also weighed on sentiment. Comments from St Louis Fed representative, James Bullard, which indicated news on the economy should improve, was also consistent with a moderate US growth outlook as flagged by the Beige Book.

Ordinary Share and NAV Performance³

	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Year (%)	5 Year (%)	From 1 August 2003 (%)
NAV	0.15	4.35	(2.45)	(15.49)	2.35	(8.68)	233.08
Share Price	2.49	3.76	(6.26)	(17.53)	12.21	(7.72)	186.12
Benchmark	(2.40)	2.92	8.40	6.97	54.68	38.02	311.28

Top 20 Holdings (%)⁴

	% of Portfolio		% of Portfolio
First Quantum Minerals ⁵	7.9%	Americas Silver ⁹	2.5%
Rea Holdings ⁶	5.9%	Tizir 9.5% 19/07/2022	2.4%
Hurricane Energy ⁷	4.9%	Arch Coal	2.3%
Ero Copper	4.3%	National Westminster Bank 9%	2.1%
Ascendant Resources ⁸	4.0%	NexGen Energy	2.0%
BW LPG	3.7%	Central Asia Metals	2.0%
Trevali Mining	3.6%	Oiiflow	1.9%
West African Resources	3.0%	Fortescue Metals	1.8%
Goodbulk	2.7%	Trifigura Group	1.6%
Metals X	2.5%	Diversified Gas and Oil	1.4%
Top 10 holdings represent:¹⁰	42.5%	Top 20 holdings represent:¹⁰	62.5%

The Company has exposure to 118 issues.

Source: ¹Maitland Administration Services (Scotland) Limited, as at 30 April 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 30 April 2019. ⁵Includes First Quantum equity valued at £5,961,957 and First Quantum CLN 7.5% 01/04/2025 valued at £740,779. ⁶Includes REA Holdings 9% Cum Pref Shares valued at £4,507,195 and REA Finance 8.75% 31/08/2020 valued at £487,500. ⁷Includes Hurricane Energy equity valued at £543,489 and Hurricane Energy Convertible 7.5% 24/07/2022 valued at £3,630,353. ⁸Includes Ascendant Resources equity valued at £3,352,664 and warrants valued at £94,581. ⁹Includes Americas Silver equity valued at £2,102,697 and warrants valued at £46,849. 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 30 April 2019)¹⁰

AIFMD Leverage Limit Report (% NAV)

	Gross Leverage (%) ¹¹	Commitment Leverage (%) ¹²
City Natural Resources High Yield Trust	119	119

Source: ¹⁰All holdings data are rounded to one decimal place. ¹¹CQS, as at 30 April 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 30 April 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 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

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