

# CQS Natural Resources Growth and Income

(as at 31 July 2019)

FACTSHEET | August 2019

## Launch Date

- August 2003

## Statistics<sup>1</sup>

### Total Gross Assets

- £90.23m

### Ordinary Share

- Net Asset Value (bid price): 118.46p
- Mid-Market Price: 92.10p

### Yield (estimated)

- 6.08%

### Gearing

- 13.88%

### Premium / (Discount)

- (26.36%)

### 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:

- £79,233,749

At 31 July 2019 the Company held £2.6m 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 1<sup>st</sup> interim: Paid 30 November 2018
- 1.26p 2<sup>nd</sup> interim: Paid 28 February 2019
- 1.26p 3<sup>rd</sup> interim: Paid 24 May 2019
- 1.82p 4<sup>th</sup> interim: Payable 30 August 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 Comment<sup>2</sup>

US-China trade posturing continue to dominate headlines along with underlying resource markets. The US announced a 10% tariff on a further US\$300bn of Chinese imports which elicited a threat to retaliate. The knock-on effect of the ongoing trade war to the global economy showed in economic data: US manufacturing, a relative bright spot globally, decelerated as expected; China's official manufacturing PMI reading, whilst still in contraction, was marginally better-than-expected; and caught up in Trump's trade war and internal politics, Europe remains troubled by persistently weak PMI data as flagged by prior ECB guidance. This has latterly prompted widespread dovish rhetoric from central banks who reiterated downside economic risks. While the initial pace of central bank action disappointed markets, as evidenced by the broader market sell-off following the 25bp month-end interest rate cut by the FED, the ongoing US-China trade dispute has made a concerted global rate cutting cycle more probable.

The net effect saw demand concerns weigh on oil, with base metal prices affected to a lesser extent. Precious metal prices were, surprisingly, little changed, with gold perhaps held back by the agreement to extend the US debt ceiling by two years. Nevertheless, precious metal mining equities saw out sized gains as investors sought lower risk assets. UK political uncertainty played a significant part in the Fund's performance with sterling's 4.2% depreciation against the US dollar a major factor behind the Fund's 5.2% NAV increase over the month.

The Fund's healthy weighting to precious metals, which saw material gains across most of the positions, offset weaker performance from crude and base metal holdings, which proved more correlated with a sluggish global economy. Strong share price performances from America's Silver and WestGold Resources more than offset some drag from Hurricane Energy. Ero Copper also made a useful contribution to performance against the weakening trend of broader mining equities, as its exploration drill results highlighted substantial growth potential.

Following strong performance, the Fund reduced some exposure to Ero Copper. The Fund also reduced its position in Fortescue Mining given the potential vulnerability of iron ore prices with some proceeds reinvested into a dry bulk shipper. Opportunities arose to acquire heavily discounted Raven Russia bonds, as a distressed fund exited its position, and also to participate in the equity issue by Americas Silver.

## Ordinary Share and NAV Performance<sup>3</sup>

	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Year (%)	5 Year (%)	From 1 August 2003 (%)
NAV	3.47	8.11	12.81	(8.14)	(2.68)	(5.34)	260.10
Share Price	5.13	3.05	6.92	(12.88)	(4.20)	(11.91)	194.85
Benchmark	1.78	11.55	14.81	14.37	44.19	45.93	358.80

## Top 20 Holdings (%)<sup>4</sup>

	% of Portfolio		% of Portfolio
First Quantum Minerals <sup>5</sup>	7.8%	Raven Russia <sup>11</sup>	2.4%
Ero Copper	4.8%	Tizir	2.4%
Hurricane Energy <sup>6</sup>	4.6%	Goodbulk	2.4%
Rea Holdings <sup>7</sup>	4.3%	Talon Metals <sup>12</sup>	2.4%
Americas Silver <sup>8</sup>	3.9%	Metals X	2.2%
BW LPG	3.8%	Arch Coal	2.1%
West African Resources	3.7%	NexGen Energy	2.0%
Ascendant Resources <sup>9</sup>	3.5%	Oiiflow	1.9%
Trevali Mining	2.9%	Central Asia Metals	1.7%
Euronav NV <sup>10</sup>	2.5%	Roxgold	1.7%
<b>Top 10 holdings represent:<sup>13</sup></b>	<b>41.8%</b>	<b>Top 20 holdings represent:<sup>13</sup></b>	<b>63.0%</b>

The Company has exposure to 124 issues.

Source: <sup>1</sup>Maitland Administration Services (Scotland) Limited, as at 31 July 2019. <sup>2</sup>All 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. <sup>3</sup>Maitland 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). <sup>4</sup>Maitland Administration Services (Scotland) Limited, as at 31 July 2019. <sup>5</sup>Includes First Quantum equity valued at £6,160,646 and First Quantum CLN 7.5% 01/04/2025 valued at £794,594. <sup>6</sup>Includes Hurricane Energy equity valued at £503,642 and Hurricane Energy Convertible 7.5% 24/07/2022 valued at £3,640,291. <sup>7</sup>Includes REA Holdings 9% Cum Pref Shares valued at £3,349,609 and REA Finance 8.75% 31/08/2020 valued at £457,870. <sup>8</sup>Includes Americas Silver equity valued at £3,370,335 and warrants valued at £89,806. <sup>9</sup>Includes Ascendant Resources equity valued at £3,047,229 and warrants valued at £74,502. <sup>10</sup>Includes Euronav NV equity valued at £1,154,757 and Euronav Luxembourg SA 7.5% 31/05/2022 valued at £1,038,010. <sup>11</sup>Includes Raven Property Convertible pref at £990,000 and Raven Russia Limites 12% pref valued at £1,190,118. <sup>12</sup>Includes Talon Metals equity valued at £1,554,823 and placing stock valued at £621,929. <sup>13</sup>All 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 July 2019)<sup>14</sup>

## AIFMD Leverage Limit Report (% NAV)

	Gross Leverage (%) <sup>15</sup>	Commitment Leverage (%) <sup>16</sup>
City Natural Resources High Yield Trust	116	116

Source: <sup>14</sup>All holdings data are rounded to one decimal place. <sup>15</sup>CQS, as at 31 July 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. <sup>16</sup>CQS, as at 31 July 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

Ian ('Franco') Francis  
Keith Watson  
Rob Crayford

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## Company Broker

**Cantor Fitzgerald Europe**  
0207 894 8130

## Market Makers

**Canaccord Genuity**  
0207 665 4500  
**Investec Investment Banking**  
0207 597 5028

**Cantor Fitzgerald Europe**  
0207 894 8130  
**Singers**  
0203 205 7500

**Cazenove**  
0207 558 8149  
**Stifel**  
0207 710 7600

**Cenkos**  
0207 397 8900  
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0203 100 0258

**Fidante Capital**  
0207 832 0999

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