

CQS New City High Yield Fund

(as at 31 July 2019)

FACTSHEET | August 2019

Fund Details

Launch Date

- October 2004

Total Gross Assets

- £258.8m

Ordinary Share

- Net Asset Value: 54.64p
- Mid-Market Price: 58.80p

Yield (estimated)

- 7.47%

Gearing

- 6.33%

Premium

- 7.61%

Annual Management Fee

- 0.8% p.a. on assets up to £200 million
- 0.7% p.a. on assets over £200 million
- Bloomberg: NCYF LN
- Reuters: NCYF.L
- Sedol: B1LZS51 GB

Financial Times
(Investment Companies)

Financial Calendar

Year End

- 30 June

Annual Report and Accounts Published

- October

AGM

- December

Dividends

- 2007/08 Total 3.57p
- 2008/09 Total 3.65p
- 2009/10 Total 3.75p
- 2010/11 Total 3.87p
- 2011/12 Total 4.01p
- 2012/13 Total 4.10p
- 2013/14 Total 4.21p
- 2014/15 Total 4.31p
- 2015/16 Total 4.36p
- 2016/17 Total 4.39p
- 2017/18 Total 4.42p

2018/19

- 1.00p 1st interim:
Paid 30 November 2018
- 1.00p 2nd interim:
Paid 28 February 2019
- 1.00p 3rd interim:
Paid 31 May 2019
- 1.45p 4th interim:
Payable 30 August 2019

Investment Objectives

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

Investment Manager Comment²

As of 23 July, the UK has a new Prime Minister in Boris Johnson, foreign exchange markets reacted by pushing Sterling lower, perceiving an increased risk of a hard Brexit, partially evidenced by the new 'war cabinet' of Brexiteers. Boris Johnson's first speech to the house claimed that 'business will be ready' and our hope is that he is right, however, the data coming out of various sectors of industry gives a more negative view.

The IHS Markit/CIPS UK Manufacturing PMI contracted at its fastest pace since October 2012, various industries are already carrying high stock levels as a precaution against the original March Brexit deadline. UK Construction saw the sharpest drop in house building for three years and the steepest drop in Commercial work since September 2009.

The consumer seemed to be sending mixed messages, spending was down 1.4% YoY to June (Visa's UK Consumer spending index), but the outlook, as measured by the IHS Markit Household Finance index, was a little more positive in July for the second month in a row, the first time since early 2016, although concerns over job security remain.

Sentiment in Europe's industries is divergent, services recorded a rise in activity, especially in Ireland, and the recent weakness in the manufacturing sector continued for a fifth month. Overall though, the European economy is still in expansion, input prices are falling and output inflation is showing a marginal increase, with overall inflation at around 1.1% for July. The ECB still needs to encourage and support the economy in order to hit its inflation target of 2% in the medium term. We await the new Governor of the ECB, Mme Christine Lagarde, to see if she continues in the Mario Draghi 'Whatever it takes!' mould in order to offer some protection against the effects of Trade wars and Brexit.

The US economy is still in a relatively comfortable place, adding 224,000 jobs in June, with wage growth at 3.1% and CPI inflation at 1.7%, the American worker seems better placed than most. The bigger picture, however, is a US GDP figure at 1.6% annualised for July, up only a fraction from June's 1.5%. The IHS Markit Flash PMI, in composite form, hit 50.0 in July, down from 50.6 in June, this represents the lowest since September 2009, signalling stagnant manufacturing conditions. The economy is starting to show similar traits to Europe, with a growing service sector disguising a weak manufacturing sector in the combined data sets.

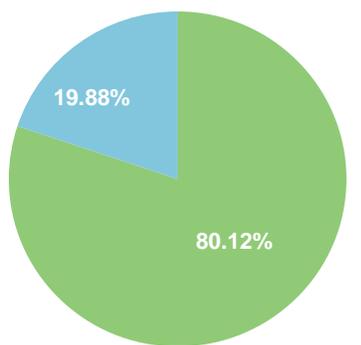
As a result of the effect on the economy of the trade war with China, the expected rate cut of 0.25% came at the end of the month. Although the Federal Reserve is supposedly non-political, the manner in which President Trump has been conducting his policies suggests that he is manipulating the way that the Federal Reserve operates, which is not ideal in the longer term. The ongoing trade war is dangerous to the global economy, the indications seem to show that we are nearing the top of the cycle, with low unemployment and high earnings from the corporate sector, so any correction when it comes will be sharp and painful...

For the Company, the shares went XD at the end of the month at 1.45p/share to be paid at the end of August. For the Portfolio, we said goodbye to Perform group 8.5% which was called by the corporate in the middle of the month. Some of the proceeds were used to buy Raven Property 6.5% CB 12% perpetual, and re-enter a holding in NewRiver retail ordinary shares at less than 50% of the price that we exited on a prospective yield of over 12%. We sold some of the Phoenix 5 ¾% perpetual which had reached our target level. We also exited our holding of Pizza Express as we are unhappy about the owner's strategy in regards to China, and the negative impact on the credit.

Ordinary Share and NAV Performance³

	1 Month (%)	3 Months (%)	1 Year (%)	3 Year (%)	5 Year (%)	From 29 October 2004 (%)
NAV	1.48	2.39	3.89	26.69	32.11	231.54
Share Price	(1.23)	0.42	4.26	27.43	30.36	259.20

Source: ¹Maitland Administration Services (Scotland) Limited, as at 31 July 2019. ²All market data sourced from Bloomberg unless otherwise stated. Returns quoted in local currencies unless otherwise stated. The Company may have since exited some / all of the positions detailed in this commentary. ³Maitland Administration Services (Scotland) Limited, total return performance based on bid prices. 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.

Breakdown by Asset Class¹

- Fixed Income
- Convertibles/Equities/Preference

Top 10 Holdings (%)¹

Galaxy Finco Ltd 9.25% 31/07/2027	4.18
Punch Taverns 7.75% 30/12/2025	4.13
CYBG 8% Variable Perpetual	3.32
Shawbrook Group 7.875% Variable Perpetual	3.21
Rea Finance 8.75% 31/08/2020	2.43
Euronav Luxembourg SA 7.5% 31/05/2022	2.42
Matalan Finance 9.5% 31/01/2024	2.35
Wittur Intl 8.5% 15/02/2023	2.35
Garfunkelux Holdco 11% 01/11/2023	2.31
Barclays Bank 7% Variable Perpetual	2.28
Top 10 Holdings Represent	28.98

The Company has exposure to 103 issues.
All holdings data are rounded to two decimal places.
Total may differ to sum of constituents due to rounding.

AIFMD Leverage Limit Report (% NAV)

	Gross Leverage (%) ²	Commitment Leverage (%) ³
CQS New City High Yield Fund	111	111

¹Source: 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.

²Source: 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.

³Source: 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.

Investment Manager Information

Ian Francis has day-to-day responsibility for managing the Company's portfolio and is supported by the New City team.

Capital History

The Company was established on 7 March 2007 and has 422,401,858 Ordinary Shares in issue and the number of voting rights in the Company is 422,401,858. The Company is the successor to New City High Yield Trust plc, which transferred all of its assets to the Company on 7 March 2007 to increase the amount of distributable income and improve investment flexibility. Shareholders received the same number of shares in the new company as they held in the old company.

On 3 January 2018 the Company completed the sale of 1,250,000 ordinary shares out of Treasury at a price of 62.0p per share.
On 10 January 2018 the Company completed the sale of 1,250,000 ordinary shares out of Treasury at a price of 62.0p per share.
On 18 January 2018 the Company completed the sale of 1,250,000 ordinary shares out of Treasury at a price of 62.1p per share.
On 26 January 2018 the Company completed the sale of 1,250,000 ordinary shares out of Treasury at a price of 61.3p per share.
On 11 April 2018, the Company completed the sale of 1,300,000 ordinary shares out of Treasury at a price of 60.4p per share.
On 30 April 2018, the Company completed the sale of 2,250,000 ordinary shares out of Treasury at a price of 60.4p per share.
On 4 May 2018 the Company completed the sale of 1,200,000 ordinary shares out of Treasury at a price of 60.5p per share.
On 11 May 2018 the Company completed the sale of 1,100,000 ordinary shares out of Treasury at a price of 60.6p per share.
On 17 May 2018 the Company completed the sale of 1,577,441 ordinary shares out of Treasury at a price of 60.75p per share.
On 8 June 2018 the Company issued 1,000,000 new ordinary shares at a price of 60.8p per share.
On 18 June 2018, the Company issued 1,000,000 new ordinary shares at a price of 61.2p per share.
On 20 June 2018, the Company issued 1,000,000 new ordinary shares at a price of 61.2p per share.
On 27 July 2018, the Company issued 2,500,000 new ordinary shares at a price of 60.4p per share.
On 28 August 2018, the company issued 1,000,000 new ordinary shares at a price of 60.75p per share.
On 30 October 2018, the Company issued 1,000,000 new ordinary shares at a price of 58.7p per share.
On 22 November 2018, the Company issued 1,000,000 new ordinary shares at a price of 58.6p per share.
On 6 February 2019, the Company issued 1,100,000 new ordinary shares at a price of 56.8p per share.
On 12 February 2019, the Company issued 1,000,000 new ordinary shares at a price of 57.2p per share.
On 22 February 2019, the Company issued 1,000,000 new ordinary shares at a price of 57.2p per share.
On 15 March 2019, the Company issued 1,000,000 new ordinary shares at a price of 57.5p per share.
On 28 March 2019, the Company issued 1,000,000 new ordinary shares at a price of 57.6p per share.
On 9 April 2019, the Company issued 2,000,000 new ordinary shares at a price of 58.1p per share.
On 15 April 2019, the Company issued 1,000,000 new ordinary shares at a price of 58.8p per share.
On 16 April 2019, the Company issued 2,500,000 new ordinary shares at a price of 58.8p per share.
On 29 April 2019, the Company issued 2,000,000 new ordinary shares at a price of 59.0p per share.
On 16 May 2019, the Company issued 1,000,000 new ordinary shares at a price of 58.8p per share.
On 31 May 2019, the Company issued 1,500,000 new ordinary shares at a price of 58.8p per share.
On 11 June 2019, the Company issued 850,000 new ordinary shares at a price of 58.5p per share.

The issued capital now totals 422,401,858 ordinary shares.

NCIM Investment Team

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