

# CQS Natural Resources Growth and Income

## KEY FUND FACTS<sup>1</sup>

### Fund Managers

Ian 'Franco' Francis  
Keith Watson  
Robert Crayford

### Launch Date

August 2003

### Total Gross Assets

£76.3m

### Reference Currency

GBP

### Ordinary Shares

Net Asset Value: 93.14p  
Mid-Market Price: 71.90p

### Yield (estimated)

7.79%

### Gearing

22.47%

### Discount

21.24%

### Ordinary Shares in Issue

66,888,509

### Annual Management Fee

1.2% on adjusted net assets

### Bloomberg: CYN LN

Reuters: CYN.L

Sedol: 0035392

### Year End

30 June

### Contact Information

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### Company Broker

Cantor Fitzgerald Europe  
+44 (0) 207 894 8130

### AGM

December

### Dividend Information

#### 2019/20

1.26p interim paid 29 Nov 2019  
1.26p interim paid 28 Feb 2020

See *overleaf* for previous Dividend information

### Fiscal Year-End

30 June

## Fund Description

The investment objective 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.

### Ian Francis, Keith Watson and Robert Crayford (L to R)

Portfolio Managers CQS Natural Resources Growth and Income



### Fund Management

Founded in 1999, CQS is a \$19.3bn<sup>2</sup> global multi-strategy asset management firm. The Fund is managed by Ian 'Franco' Francis, Keith Watson and Robert Crayford. Supported by the CQS credit analyst team.

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

	1 Month (%)	3 Month (%)	6 Month (%)	1 year (%)	3 Year (%)	5 Year (%)	Since Inception
NAV	(12.30)	(13.97)	(17.45)	(11.07)	(32.58)	(6.26)	190.22
Share Price	(14.51)	(14.22)	(12.68)	(17.03)	(36.42)	(6.93)	136.78
Benchmark	(7.09)	(6.41)	(9.35)	0.15	8.61	40.46	303.47

### Investment Commentary<sup>4</sup>

The Fund NAV declined 12.3% during the month. February was a difficult month for commodities as Coronavirus ('Covid-19') escalated in Europe.

The month started with encouraging trends from China, the epicentre for the infection, as the rate of new infections slowed, suggesting containment was proving effective. At the end of the month, we saw the Chinese beginning to return to work following extended restrictions after Lunar New Year, with a notable pick up in traffic volumes in Shanghai and Beijing. Although we note that Chinese industrial activity will remain below capacity and the potential for a re-escalation in infection rates is possible. This is important as China is such a large component of global commodity demand, importing c50% of most commodities. The impact on supply chains is unclear, but certainly material, impacting manufacturing in the West with parts becoming unavailable. The explosion of cases in Europe and the Middle East, especially in Italy and Iran, is highly concerning and suggests we could see further global disruption and materially negative revisions to global growth expectations. Against this, Central Banks globally are indicating a heavy co-ordinated response, with G7 ministers fielding meetings on an appropriate reaction, likely reducing interest rates and providing stimulus where required. This had provided optimism that we would therefore see a short term demand shock, with a sharp rebound as activity returned post the virus, a so called V shape recovery. Increasingly this view is looking optimistic, with a U shape demand impact looking more probable.

The Fund has been relatively well positioned to cope with this uncertainty as it is heavily invested in precious metals with 20.6% in gold and silver miners, a safe haven which has provided some defensive protection against the backdrop of broader risk aversion.

The Fund's energy exposure remains minimal, which has been beneficial with Oil being the hardest hit of all the major commodities due to its relatively high cost of storage. Our base metal exposed miners have, unsurprisingly, been under pressure as copper, zinc and nickel have fallen, although we believe they will be well placed when Covid-19 impacts ease, helped by central bank and government stimulus referred to earlier.

The demand shock was reflected by Chinese manufacturing PMI data which at 40.3 showed a larger-than-expected contraction for February, although Chinese authorities indicated they intend to provide stimulus via rate cuts and supportive measures for property and business once Covid-19 abates. Chinese authorities indicated intentions to offset the impact of the virus in an attempt to achieve unchanged national economic targets for 2020, an ambitious aim. China's state grid started a US\$2.6bn expansion, in response to Xi's call to accelerate infrastructure development to help stabilise growth, which is supportive for metals such as copper. The US FED flagged that rate cuts were possible if Covid-19 is classified as a pandemic.

OPEC are set to meet on the 5-6 of March, with the market now anticipating a 1M bpd cut to offset the fall in demand due to Covid-19. The Joint Technical Committee had recommended a cut of 600k bpd. Reports suggest Saudi has already enacted cuts ahead of any OPEC+ agreement, but the overall response of the OPEC+ cartel remains key to meeting the short term surplus. Russia has dragged its heels on making a decision but the latest comments from Putin appear to support further cuts. Libya remains another factor, with the continued shutdown of Libyan oil capacity by rebel leader General Haftar showing no sign of reversing in the short term, but representing a medium-term overhang should almost 1M bpd regional production capacity be brought back on stream.

In a further improve on US/China trade, China granted tariff exemptions on 696 US goods and commodities, following up on the 2 year \$200bn phase 1 trade deal that went into effect on February 14.

Risk aversion drove continued purchasing of gold by physically backed ETFs, which added nearly 2Moz to holdings over the month. Despite this the gold price ended the month little changed at US\$1,585/oz related equities declined sharply into the month's close with the GDXJ gold equity ETF ending the month down over 13%, giving up gains of over 7% over the first three weeks of February. Helpfully, the Fund's precious metal holdings performed relatively well with the largest precious metal holding, ASX-listed West African Resources, rising nearly 17% over the period.

A further relative positive came from the Fund's largest holding First Quantum, which reported smooth progress in the ramp-up of the new Cobre Panama copper mine, providing some support to the shares which declined only 4.25% outperforming peers such as copper and gold producer Freeport McMoran, which fell over 10% in February and Hudbay Minerals, which fell over 19% during the month.

Source: CQS. Please refer to page 3 for sources relating to relevant footnotes.

**KEY FUND FACTS** *(continued)*

**Dividend Information** *(continued)*

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	Total	5.60p
2019/20	Total	5.60p

**Investor Report**  
Monthly Factsheet

**Annual Report & Accounts**  
Published: October

**Results Announced**  
Finals: October  
Interims: March

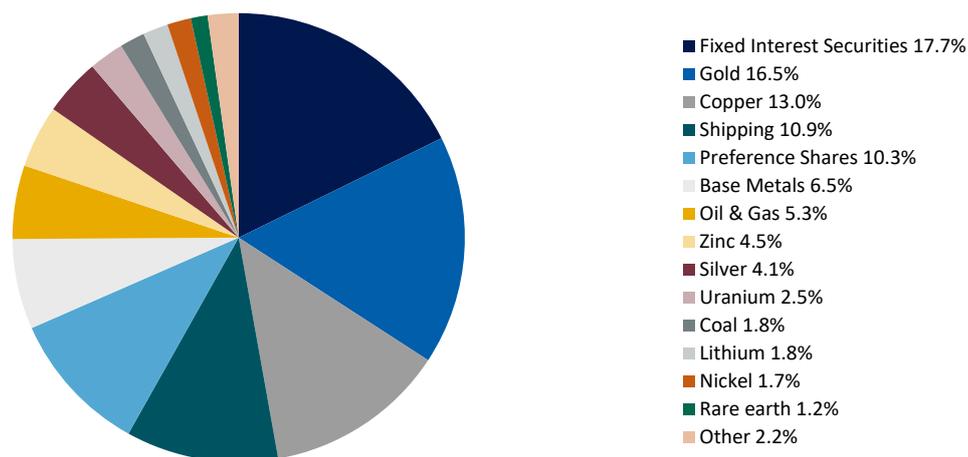
**AIFMD Leverage Limit Report (% NAV)**

	Gross Leverage (%) <sup>5</sup>	Commitment Leverage(%) <sup>6</sup>
CQS Natural Resources Growth and Income	122	122

<sup>5</sup>Source: CQS, as at 28 February 2020. 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>6</sup>Source: CQS, as at 28 February 2020. 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.

**Portfolio Analysis<sup>1</sup>**



**TOP 20 HOLDINGS (%)<sup>1, 7</sup>**

Name	(% of NAV)
First Quantum Minerals <sup>8</sup>	7.6
Rea Holdings <sup>9</sup>	6.2
Euronav NV <sup>10</sup>	4.4
West African Resources	4.4
BW LPG	4.3
Hurricane Energy <sup>11</sup>	4.2
Americas Gold & Silver <sup>12</sup>	3.6
Ero Copper	2.9
Raven Property <sup>13</sup>	2.7
Goodbulk	2.7
<b>Top 10 Holdings Represent</b>	<b>43.0</b>
Tizir	2.6
Ascendant Resources <sup>14</sup>	2.3
Trevali Mining	2.2
Oilflow	2.0
Trafigura	2.0
Integra Resources	1.9
Sigma Lithium	1.8
Central Asia Metals	1.8
Roxgold	1.7
LBG	1.6
<b>Top 20 Holdings Represent</b>	<b>62.9</b>
<i>The Company has exposure to 126 issues</i>	

### IMPORTANT INFORMATION:

Source: <sup>1</sup>Maitland Administration Services (Scotland) Limited, as at 28 February 2020. <sup>2</sup>CQS 4 March 2020. <sup>3</sup>Maitland Administration Services (Scotland) Limited, as at 28 February 2020, 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>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>5</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. <sup>6</sup>Includes First Quantum equity valued at £ 4,999,053 and First Quantum 7.5% 01/04/2025 valued at £ 753,363. <sup>7</sup>Includes REA Holdings 9% Cum Pref Shares valued at £ 3,989,976 and REA Finance 8.75% 31/08/2020 valued at £ 491,090 and R.E.A. Holdings Plc Ordinary 25p £ 220,000. <sup>8</sup>Includes Euronav NV equity valued at £ 2,220,339 and Euronav Luxembourg SA 7.5% 31/05/2022 valued at £ 1,101,542. <sup>9</sup>Includes Hurricane Energy equity valued at £ 541,433 and Hurricane Energy Convertible 7.5% 24/07/2022 valued at £ 2,668,999. <sup>10</sup>Includes Americas Silver equity valued at £ 2,634,959 and Americas Silver Warrants 9/6/21 valued at £ 85,994 and Americas Silver Warrants 16/6/21 valued at £ 27,614. <sup>11</sup>Includes Raven Russia Limited 12% preferred valued at £ 1,127,948 and Raven Property Convertible preferred £ 909,000. <sup>12</sup>Includes Ascendant Resources equity valued at £ 1,714,559 and warrants valued at £ 21,497.

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