

CQS New City High Yield Fund

KEY FUND FACTS¹

Fund Manager

Ian 'Franco' Francis

Launch Date

October 2004

Total Gross Assets

£236.7m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 47.52p

Mid-Market Price: 47.40p

Yield (estimated)

9.39%

Gearing

13.68%

Premium

(0.25%)

Ordinary Shares in Issue

432,851,858

Annual Management Fee

0.8% p.a. on assets up to £200 million

0.7% p.a. on assets over £200 million and up to £300 million

0.6% p.a. on assets greater than £300 million

Bloomberg: NCYF LN

Reuters: NCYF.L

Sedol: BILZSS1 GB

Year End

30 June

Contact Information

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Company Broker

Cantor Fitzgerald Europe

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AGM

December

Dividend Information

2019/20

1.00p interim paid 29 Nov 2019

1.00p interim paid 28 Feb 2020

1.00p interim paid 31 May 2020

1.46p interim payable 28 Aug 2020

See *overleaf* for previous Dividend information

Fiscal Year-End

30 June



Ian Francis

Portfolio Manager

Fund Management

Founded in 1999, CQS is a \$17.7bn² global multi-strategy asset management firm.

The Fund is managed by Ian 'Franco' Francis, supported by the CQS credit analyst team.

Ordinary Share and NAV Performance³

	1 Month (%)	3 Month (%)	1 year (%)	3 Year (%)	5 Year (%)	10 Year (%)
NAV	4.90	11.34	(6.22)	2.83	20.33	87.91
Share Price	0.85	19.05	(14.14)	(4.89)	17.58	70.91

Investment Commentary⁴

Sentiment in the real economy improved in June as lockdown started to be loosened in the UK. Evidenced by the latest IHS Markit/CIPS Flash UK Composite PMI Survey, showing the output index up at 47.6 from the previous month's level of 30, giving the lowest rate of decline since the beginning of lockdown in March. As we approached the loosening of some of the lockdown rules, the private sector showed a rebound in confidence and hopes of a recovery over the next 12 months. Some of the sectors in the economy brought back some of their furloughed staff, the strongest of which was manufacturing which tipped into growth, ending a 3-month period of decline. Despite this positivity, not all areas of manufacturing showed strength: aerospace and automotive sectors remained particularly weak. The service sector had three areas which performed better than the rest, transport, communication and financial intermediaries, as the economy gradually restarted. It comes as no surprise that hotels, restaurants and catering, where many businesses have closed their doors, may not ever come back at all. Despite all the efforts being made by the government and Bank of England to support the economy many jobs are going to be lost and may not come back in areas that lose them for some time, providing large infrastructure projects may not create opportunities for jobs lost in the arts, hotels and travel industries. On top of all of this, we still have to negotiate trade deals for all areas of the economy post Brexit, with governments keen to look after their own post the Covid-19 pandemic.

Europe is two to three weeks ahead of the UK in terms of easing lockdown measures. This shows through in their IHS Markit Flash Eurozone PMI survey number and overall sentiment in their economies. Although they are still shrinking, it is at a much slower rate. The Mediterranean states that rely to a great extent on tourism for revenue are now opening hotels, restaurants and bars to try to save the summer high season whilst their governments negotiate as to who can and who can't travel to their country. At the time of writing, travelling within Europe's member states and the UK was allowed, but travellers from the USA were banned. Overall, the jobs market is still experiencing cuts, but at a slower rate than previous months. Manufacturing is still having a very hard time as levels of production continue to be lowered. Prices received for goods and services fell for a fourth month in a row as discounting continued to be used to try to increase sales volumes. One point of interest was that input prices increased on the back of rising wage pressures, which is not something one would normally expect in the current environment!

The US economy added 4.8 million jobs as a partial resumption to the economy got under way. This is still some 14.7 million or 9.6% below the February number (healthcare up 358/- which is still 757/- below the February figure, and retail added some 740/- but 1.3million below the February number). This shows some good news, but there is a long way to go.

The Federal Reserve Bank with its QE Infinity continue to support corporate America. This means that the large US corporates the Fed is backing to drive the economy retain access to unlimited liquidity and remain solvent. Two danger points addressed for the price of one: keeping Corporate America visually solvent despite the dire economic reality, which means these firms will continue to be able to raise cash to weather the crisis; keep their factories open, maintaining trickle-down orders to the SME's that supply them, giving time for the economy to develop new internalised supply chains and preserving jobs. We would expect the UK to do similar.

For the company, we rolled the American shipping 9.5% which was called at 104 into the replacement bond with a yield of 7.75% and a maturity of July 2025, representing one of many companies taking advantage of the current market opportunities. We added to Just 9 3/8% perpetual following a positive update from the company. We will see the Balfour Beatty Preference shares redeemed on the 1st July, which was probably one of the longest holdings in the portfolio and one of the last UK domestic convertibles in existence. We are now entering what is usually a quieter and lower volume period over the holiday period; maybe not this year, with the ongoing pandemic and the US Presidential election coming in November and the ongoing trade wars between the USA and China.

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

KEY FUND FACTS (continued)

Dividend Information (continued)

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	Total	4.45p

Investor Report
Monthly Factsheet

Annual Report & Accounts
Published October

AIFMD Leverage Limit Report (% NAV)

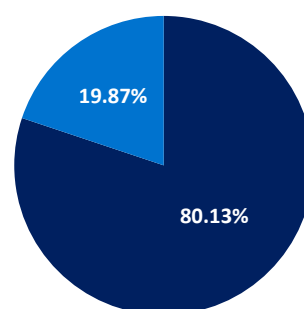
	Gross Leverage (%)	Commitment Leverage(%)
CQS New City High Yield Fund	115	115

⁵Source: CQS, as at 30 April 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

⁶Source: CQS, as at 30 April 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 ^{1, 7}

Breakdown by asset Class



- Fixed Income
- Convertibles/Equities/Preference

Top 10 Holdings (%) ^{1, 5}

Name	(% of NAV)
GALAXY FINCO LTD 9.25% 19-31/07/2027	5.48
PUNCH TAVERNS 7.75% 14-30/12/2025	5.07
CYBG PLC 16-31/12/2049 FRN	4.86
SHAWBROOK GROUP 17-31/12/2059 FRN	3.70
AGGREGATED MICRO 8% 16-17/10/2036	3.44
CO-OPERATIVE FIN 19-25/04/2029 FRN	3.31
JUST GROUP PLC 8.125% 19-26/10/2029	3.25
KIRS MIDCO 3 PLC 8.375% 17-15/07/2023	3.08
EURONAV LUX 7.5% 17-31/05/2022	3.19
REA FINANCE 8.75% 15-31/08/2025	3.17
Top 10 Holdings Represent	38.28

The Company has exposure to 110 issues

All holdings data are rounded to two decimal places

Total may differ to sum of constituents due to rounding

Source: ¹BNP Paribas Securities Services S.C.A, as at 30 June 2020. ²CQS as at 30 June 2020. ³BNP Paribas Securities Services S.C.A, 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. ⁴All 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. ⁵All holdings data are rounded to two decimal places. Total may differ to sum of constituents due to rounding. The Fund is regulated by the Jersey Financial Services Commission.

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