

# CQS Natural Resources Growth and Income

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

### Fund Managers

Ian 'Franco' Francis  
Keith Watson  
Robert Crayfourd

### Launch Date

August 2003

### Total Gross Assets

£84.3m

### Reference Currency

GBP

### Ordinary Shares

Net Asset Value: 108.11p  
Mid-Market Price: 90.40p

### Yield (estimated)

6.2%

### Gearing

16.6%

### Discount

17.1%

### 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

1.26p interim paid 31 May 2020

1.82p interim payable 28 Aug 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 Crayfourd (L to R)

Portfolio Managers CQS Natural Resources Growth and Income



### Fund Management

Founded in 1999, CQS is a \$18.5bn<sup>2</sup> global multi-strategy asset management firm. The Fund is managed by Ian 'Franco' Francis, Keith Watson and Robert Crayfourd. 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	11.4	29.6	4.6	(3.9)	(9.5)	27.1	246.2
Share Price	16.0	32.9	10.5	3.8	(7.8)	33.0	206.2
Benchmark	5.1	20.8	15.4	9.2	36.2	114.1	401.2

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

The Fund NAV increased 11.4% including the final 1.82p dividend, despite some dampening effect from sterling's strength. Commodities broadly rose over the month as global manufacturing PMI data trends continued to recover as economies reopen, supported by the continuing accommodative fiscal stance adopted by governments and central banks. The finalised €750bn economic stimulus package and increased 2021-2027 fiscal budget proposed by the EU, to boost the effects of easing regional lock-down restrictions, helped lift the Euro while sterling gained 5.5% against the dollar after EU negotiators expressed optimism that a Brexit deal could be reached.

Precious metals and related equities remained strong driven primarily by the continued decline of real yields, as inflation expectations rose against the low rates backdrop. With many regions experiencing a rise in COVID infection rates again, concerns for the sustainability of the global economic recovery also helped sentiment in this sector. US-China relations worsened with tit-for-tat consulate closures occurring after the US demanded China close its Houston consulate, following claimed economic espionage. This outweighed China's record purchase of 1.762Mt of US corn, for delivery in the 2020-21 marketing year beginning in September.

Gold rose 10.9% and hit record highs, exceeding the previous nominal record of \$1,921/oz in 2011. Silver performed strongly, beginning to show some of its high beta correlation to gold. With gold testing \$2,000/oz many price forecasts were raised indicating continued strength is expected. Precious metal mining equities saw strong gains, as illustrated by the 14.4% sterling return by the GDXJ ETF and at the end of the month precious metals represented 31% of the Fund's NAV.

The increased demand for gold has been primarily driven by financial buyers. Strong ETF additions in developed markets has offset weak jewellery sales which the World Gold Council estimated to have fallen 46% yoy during 1H20, implying virtually no jewellery buying activity during Q2. While COVID related restrictions removed the ability to purchase jewellery during the last quarter, the extent to which consumer appetite has been affected and therefore the magnitude of pent-up demand that may arise as markets reopen, is uncertain. This is particularly the case for regions of significant demand, such as China but more so for India and Turkey where gold's appreciation has been amplified by local currency weakness.

Copper gained, with LME prices rising nearly 7% over the month, helped by China's state grid outlining aggressive plans to accelerate the roll out of EV charging points in 2H2020. The latest data release from the International Copper Study Group indicated annualised global copper mine output declined by 3.5% yoy to 18.6Mt over April, representing the first full month of COVID-19-related disruptions in the copper industry. Zinc also registered strong gains, rising over 13% with the most recent May data released by the International Lead Zinc Study Group. This indicated that mined zinc and lead output continued to fall in May, down 10.8% yoy, compared to a decline of over 20% yoy in April, a reflection of the initial easing of lockdown measures across major producers. In contrast to gold equities, the performance of base metal miners was relatively muted given the underlying commodity prices.

Benefitting from Chinese stimulus, iron ore prices remained well supported, rising 11.5% over the month, in spite of the prospect of a recovery in Brazilian exports and news of record exports out of Port Hedland in June (+6% yoy to a run-rate of 629Mtpa).

Oil was a laggard performer with WTI and Brent crude prices registering gains of 5% and 2% respectively. Crude prices were held back as OPEC agreed to reduce quota production restrictions from 9.6 to 7.7M bopd from August, more than offsetting comments from the wider OPEC+ alliance that it will seek greater compliance from those members who had missed their targets, such as Iraq, Nigeria and Kazakhstan, which could theoretically remove 842k bopd of excess output by these nations.

Proceeds from two bonds redemptions, American Tankers 9.25% and Tizir 9.5%, were reinvested into equities. The Fund participated in discounted placings by Australian gold explorer Ora Banda and lead mine developer Galena Mining. Both performed well registering initial gains of 50% and 16.7% from their respective placing prices. Exposure to copper miner Central Asia Mining was also increased following an encouraging half year update. In addition, the Fund switched some gold equities reducing exposure to Silver Lake and the position size of West African Resources to participate in a placing by explorer Stavelly Minerals which ended the month flat.

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

**KEY FUND FACTS** (continued)

**Dividend Information** (continued)

<b>2012/13</b>	Total	5.50p
<b>2013/14</b>	Total	5.60p
<b>2014/15</b>	Total	5.60p
<b>2015/16</b>	Total	5.60p
<b>2016/17</b>	Total	5.60p
<b>2017/18</b>	Total	5.60p
<b>2018/19</b>	Total	5.60p

**Investor Report**  
Monthly Factsheet

**Annual Report & Accounts**  
Published: October

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

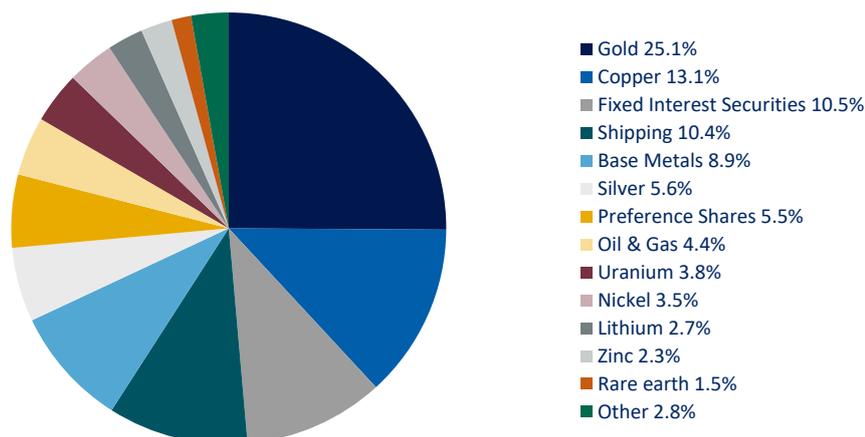
**AIFMD Leverage Limit Report (% NAV)**

	Gross Leverage (%) <sup>5</sup>	Commitment Leverage (%) <sup>6</sup>
CQS Natural Resources Growth and Income	120	120

<sup>5</sup>Source: CQS, as at 31 July 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 31 July 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>	7.5
West African Resources	7.1
Americas Gold and Silver <sup>9</sup>	4.5
Euronav <sup>10</sup>	4.4
Rea Holdings <sup>11</sup>	4.0
Talon Metals	3.5
Integra Resources	3.2
Ero Copper	2.9
Sigma Lithium <sup>12</sup>	2.7
BW LPG	2.6
<b>Top 10 Holdings Represent</b>	<b>42.4</b>
NexGen Energy	2.4
2020 Bulkers	2.3
Roxgold	2.2
Diversified Gas & Oil	2.2
Tizir	2.2
Raven Property <sup>13</sup>	2.1
Emerald Resources	2.1
Adriatic Metals	2.1
Adventus Mining	1.9
Central Asia Metals	1.9
<b>Top 20 Holdings Represent</b>	<b>63.8</b>
<i>The Company has exposure to 118 issues</i>	

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

### IMPORTANT INFORMATION:

Source: <sup>1</sup>Maitland Administration Services (Scotland) Limited, as at 31 July 2020. <sup>2</sup>CQS 31 July 2020. <sup>3</sup>Maitland Administration Services (Scotland) Limited, as at 31 July 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>7</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>8</sup>Includes First Quantum Minerals equity valued at £5,533,930 and First Quantum Minerals 7.5% 01/04/2025 valued at £767,619. <sup>9</sup> Includes Americas Silver equity valued at £3,695,961 and Americas Silver Warrants 9/6/21 valued at £72,038 and Americas Silver Warrants 16/6/21 valued at £23,180. <sup>10</sup> Includes Euronav NV equity valued at £3,094,124 and Euronav Luxembourg SA 7.5% 31/05/2022 valued at £620,190. <sup>11</sup>Includes Rea Holdings Preferred £2,807,761, REA Finance 8.75% 31/08/2020 valued at £452,500, R.E.A. Holdings Plc Ordinary 25p valued at £112,000 and R.E.A Holdings GBp1.26 Warrants 15/07/2025 valued at £14,950. <sup>12</sup>Sigma Lithium Resources equity values at £1,375,052 and Sigma Lithium Resources Crop Placing valued at £852,369. <sup>13</sup>Includes Raven Property Convertible Pref shares valued at £738,000 and Raven Russia Limited 12% Preferred valued at £1,030,251.

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