

CQS New City High Yield Fund

KEY FUND FACTS¹

Fund Manager

Ian 'Franco' Francis

Launch Date

October 2004

Total Gross Assets

£232.7m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 46.54p

Mid-Market Price: 47.70p

Yield (estimated)

9.33%

Gearing

11.65%

Premium

2.49%

Ordinary Shares in Issue

432,451,858

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

+44 (0) 207 894 8130

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 \$18.5bn² 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	0.99	9.77	(6.83)	2.46	21.54	85.77
Share Price	3.60	6.98	(11.73)	(2.56)	17.40	71.10

Investment Commentary⁴

For the UK data, July showed a vast improvement with the IHS Markit Flash UK Manufacturing Output Index at a 32 month high of 59.8, following an easing of lockdown measures with most recovery seen in the manufacturing and service sectors. Whilst this is potentially very good news, operating costs have risen with Covid-19 mitigation measures. Although output levels are rising it will take a long time to get back to pre-pandemic levels. The private sector saw a rebound in new orders, mainly from UK domestic customers, but with overall volumes still at depressed levels evidenced by the rate of job cuts increasing on the previous month. Business sentiment looking forward 12 months moderated in July, as businesses took a cautious view on future recovery and the risk of a second wave in the autumn/winter period. It is becoming clearer what the true nature of a slowing economy is having on the employment market with 1/3rd of Companies expected to reduce the size of their work forces and implement zero wage rises according to recent surveys.

Across the Channel, Europe saw the IHS Markit Flash Eurozone PMI data point above the 50 level for the first time since February at 54.8, which was evidenced by the largest percentage output gain since June 2018, albeit a larger percentage rise on a smaller initial figure! Again none of this data should surprise. Jobs are still being lost in Manufacturing and Service sectors and, whatever the surveys say, we cannot view the data as positive until we see a turnaround in employment numbers and whether or not they are able to sustain increasing employment numbers.

In the US the level of business activity stabilised in July and the increase in the employment number can be viewed as a positive. The level of new business was seen to be faltering with a lot of consumer focussed areas of the service sector seeing lower levels of sales due to re-imposed localised lockdowns. Here too businesses have suffered significant increases in costs due to safeguarding and mitigation expenses for Covid-19. And in the forthcoming months, with the Presidential election in November and the ongoing trade war with China and associated outbursts from President Trump, this is going to be a bumpy ride.

For the company we announced the final dividend for the year at 1.46p/share. Up from 1.45p last year this went XD on 24th July for payment at the end of August.

As regards the portfolio, the Balfour Beatty Pref was redeemed at the beginning of the month saying goodbye to one of the longest held investments by the company. We added to One Savings Bank 9 1/8% perpetual at a healthy discount to par and opened new holdings in Investec 6 3/4% perpetual at a substantial discount to par and participated in the new issue Stonegate 8 1/4% 2025.

We are seeing a very quiet start to August with volumes and market volatility at low levels.

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
2019/20	Total 4.46p

Investor Report
Monthly Factsheet

Annual Report & Accounts
Published October

AIFMD Leverage Limit Report (% NAV)

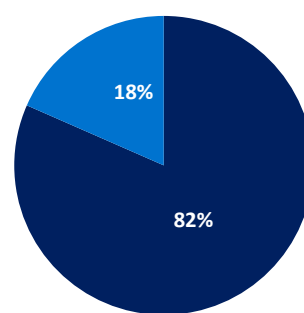
	Gross Leverage (%) ⁵	Commitment Leverage(%) ⁶
CQS New City High Yield Fund	116	116

⁵Source: 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.

⁶Source: 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 ^{1, 7}

Breakdown by asset Class



- Fixed Income
- Convertibles/Equities/Preference

Top 10 Holdings (%) ^{1, 8}

Name	(% of NAV)
GALAXY FINCO LTD 9.25% 19-31/07/2027	5.12
CYBG PLC 16-31/12/2049 FRN	4.56
PUNCH TAVERNS 7.75% 14-30/12/2025	4.54
ONESAVINGS BANK 17-31/12/2059 FRN	3.99
SHAWBROOK GROUP 17-31/12/2059 FRN	3.32
AGGREGATED MICRO 8% 16-17/10/2036	3.08
JUST GROUP PLC 8.125% 19-26/10/2029	2.95
CO-OPERATIVE FIN 19-25/04/2029 FRN	2.95
REA FINANCE 8.75% 15-31/08/2025	2.71
EURONAV LUX 7.5% 17-31/05/2022	2.58
Top 10 Holdings Represent	35.80

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 31 July 2020. ²CQS as at 31 July 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. ⁸All 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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