

CQS New City High Yield Fund

KEY FUND FACTS¹

Fund Manager

Ian 'Franco' Francis

Launch Date

October 2004

Total Gross Assets

£233.2m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 46.39p

Mid-Market Price: 46.30p

Yield (estimated)

9.63%

Gearing

14.53%

Premium

(0.19%)

Ordinary Shares in Issue

435,901,858

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

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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 paid 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 \$19.3bn² 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	(0.90)	0.66	(7.92)	0.88	23.70	73.99
Share Price	(2.94)	0.55	(14.89)	(3.86)	20.01	57.08

Investment Commentary⁴

In the UK, taking what is happening to and being felt by UK households as a guide to reality, the outlook continues to be bleak. The IHS Markit UK Household Finance Index showed four major points for concern: the overall index was unchanged at a depressing 40.8, well below the 50 level which implies neutrality; second, job security and income levels are falling; third, household savings declining at the fastest rate since December 2013, and fourth, the demand for unsecured credit at a five month high. All of these with just less than a month to go before changes to the furlough scheme decreasing its support to many sectors. UK stock markets ended the month little changed with the FTSE All Share index 8.5pts lower at 3,282.25 and the FTSE 100 4.5 pts higher at 5,866.10. A larger move was seen in currency markets with the pound down to 1.2920 against the US Dollar and 1.77 cents lower against the Euro at 1.1024. Although markets have been fairly static, there still remains the opportunity for a downward shock caused by either Covid, Brexit or a combination of the two. Recent spikes in Covid cases as we enter the autumn have been met with increasing local lockdowns, the rule of six and the 10pm curfew on bars and restaurants, which have definitely slowed any recovery and dampened sentiment. Yet again we will be relying on the Bank of England and the Government to keep markets afloat until such time as a vaccine is found and becomes widely available allowing the economy to stand on its own two feet. This is still a long way off and, as Chancellor Rishi Sunak says, he cannot save all jobs and all businesses! On the plus side as yet we have not seen any major negative reaction to the vast issuance of government debt raised so far.

In Europe the economy continued to stagnate with the IHS Markit Flash Eurozone PMI Composite Output Index at 50.1 a three-month low, behind what looks an overall neutral figure lies a very split economy with the Manufacturing sector registering 56.6 a 31-month high, whereas the Service sector activity fell to 47.6 from 50.5 in August as face to face consumer businesses have been hit by renewed virus concerns. The underlying danger here being a slip back into recession in the fourth quarter after a brief recovery in the third. As in the initial spike of cases, Europe is a couple of weeks ahead of the UK with the current resurgence of the virus. One hopes that we react quickly and more efficiently to prevent the spread of infection without damaging the economy further.

In the United States, the first Presidential debate was neither Presidential nor a debate, in fact almost a full blooded slanging match. We do not expect the rest of the campaign to be much different. However, the economy is still managing to recover slowly with the unemployment rate falling to 7.9% in September with 661,000 jobs being added with just under half in the leisure and hospitality sector, this is still some 10.7 million jobs short of the February figure. Further indication of a reasonably solid recovery is evidenced by the IHS Markit Flash US Composite PMI, only marginally lower in September at 54.4 down from 54.6 in August, again the important question is does the economy have the strength to sustain its growth seen in the third quarter or will it be knocked off course by Covid or the Presidential election? We are already seeing that uncertainty over the election result has had a negative effect on business confidence for the year ahead.

For the Company a quiet month, with the issue of 2.45 million shares, with the funds being deployed into Casino 3.992% perpetual a long way below par, CQS has evaluated the credit risk on this and it has to pay the coupons if it is to pass any equity dividends to the shareholders, which in our opinion provides income with the opportunity for capital growth.

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)

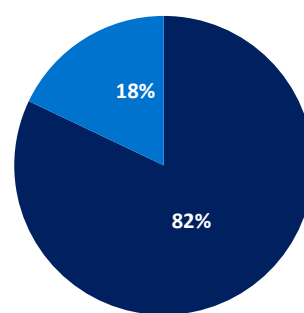
	Gross Leverage (%) ⁵	Commitment Leverage(%) ⁶
CQS New City High Yield Fund	116	116

⁵Source: CQS, as at 30 September 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 September 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)
CYBG PLC 16-31/12/2049 FRN	5.94
GALAXY FINCO LTD 9.25% 19-31/07/2027	5.78
ONESAVINGS BANK 17-31/12/2059 FRN	4.68
PUNCH TAVERNS 7.75% 14-30/12/2025	4.45
SHAWBROOK GROUP 17-31/12/2059 FRN	3.93
AGGREGATED MICRO 8% 16-17/10/2036	3.54
JUST GROUP PLC 8.125% 19-26/10/2029	3.41
RAVEN RUSSIA 12% 09-31/12/2059	3.37
CO-OPERATIVE FIN 19-25/04/2029 FRN	3.37
REA FINANCE 8.75% 15-31/08/2025	3.15
Top 10 Holdings Represent	41.62

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 September 2020. ²CQS as at 30 September 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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