

# 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

£93.84m

### Reference Currency

GBP

### Ordinary Shares

Net Asset Value: 108.35p  
Mid-Market Price: 89.50p

### Yield (estimated)

6.3%

### Gearing

16.6%

### Discount

(18.85)%

### 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

contactncim@cqsm.com

### Company Broker

N+I Singer  
+44 (0) 207 496 3000

### AGM

December

### Dividend Information

#### 2020/21

1.26p interim payable 30 Nov 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 \$18.7bn<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	0.0	1.3	31.6	3.0	(10.2)	36.4	241.5
Share Price	(2.0)	0.4	33.7	11.9	(7.1)	33.5	206.7
Benchmark	0.6	(3.8)	16.5	12.8	30.8	121.6	390.4

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

Including the 1.26p dividend, Fund returns were stable over the month, absorbing a 3.3% strengthening of sterling versus the US dollar. Upward momentum to metal price paused in October with copper and gold ending the month little changed, as markets focused on US Presidential elections and discussion over stimulus measures were put on hold as both sides unable to agree on a plan so close to the election date. Rising Covid-19 cases and the prospect of renewed lockdowns in Europe weighed on sentiment although this was most felt by oil which, as the commodity most impacted by a demand shock, fell close to 20% over the month. Hopes for a vaccine being available by Q121 improved, which would be a bullish event for all risk assets including commodities, although it will take a few quarters to be rolled out on a scale that would meaningfully benefit economies.

Base metals were supported by continued improvement in economic data from China, which is leading the emergence from the impact of Covid, aided by improved regional affordability resulting from Yuan strength and international government infrastructure stimulus plans. Occurring against a background of Covid-related mine outages and strikes - notably in Peru and Chile - that have reduced copper production by 0.8% over the first half of the year, according to the International Copper Study Group, the outlook remains supportive for copper exposure, which currently represents 16% of Fund assets.

At the start of November, Joe Biden's election success has done little to calm broader investor uncertainty, with Trump contesting the result with court action. Whilst a divided House and Senate may complicate the US Covid stimulus response, precious metals nevertheless remain supported given the extent of recent huge government spending and continuation of accommodative central bank policies, as highlighted by the FED guidance that rates will remain near zero out to 2023. Ultimately gold's defensive qualities against Modern Monetary Theory (MMT) and ballooning government debt remain key to its investment thesis, with any diversification from US Treasuries to Central Banks supportive for the metal.

While oil prices were clearly impacted by the potential re-imposition of lockdowns and swift return of approximately 1M bbls per day of Libyan production, following the lifting of regional blockades, the outlook for prices into 2021 is looking marginally more attractive. This is due to excess global inventories continuing to fall while demand should recover post a second wave of lockdowns, with the outcome of vaccine treatments offering sustainability to this. However, despite OPEC flagging a modest extension to their scheduled output increase from January, any supply shortfall resulting from this could still be met by OPEC's substantial spare production capacity thereafter. As a result, despite a possible improvement in oil prices, which is feasible later in 2021, the Fund remains cautious towards direct investment in the E&P sector where equities still appear to discount crude prices in excess of US\$50/bbl.

A Biden confirmed election win introduces two other considerations for the market: on one hand it may be supportive to crude prices given his openly anti-fracking stance, while on the other there are downside risks should he adopt a softer stance on Iran and Venezuela sanctions, which could allow a return of exports from these regions.

First Quantum made a strong contribution to returns with the share rising 28% in sterling terms after it provided a solid Q3 update and raised full year guidance. The Fund reduced its exposure to nickel explorer Talon Metals which has performed extremely well year-to-date. These gains helped offset some drag from holdings such as gold producer West African Resources and crude shipper Euronav whose shares consolidated 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)**

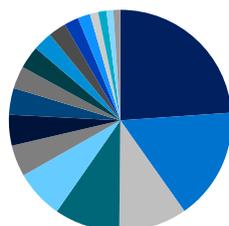
	Gross Leverage (%) <sup>5</sup>	Commitment Leverage(%) <sup>6</sup>
CQS Natural Resources Growth and Income	118	118

<sup>5</sup>Source: CQS, as at 30 October 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 30 October 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.

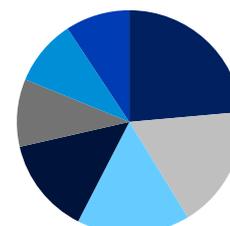
**Portfolio Analysis<sup>1</sup>**

**Sector**



■ Gold 23.9%	■ Copper 16.4%
■ Fixed Interest Securities 9.9%	■ Shipping 9.5%
■ Base Metals 7.1%	■ Oil & Gas 4.6%
■ Silver 4.5%	■ Palm Oil 3.9%
■ Uranium 3.3%	■ Lithium 3.3%
■ Nickel 2.8%	■ Zinc 2.6%
■ Property 2.1%	■ Rare earth 1.8%

**Region**



■ North America 23.6%	■ Africa 17.7%
■ Latam 16.2%	■ Global 13.9%
■ Australia 9.8%	■ Asia 9.6%
■ Europe 9.3%	

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

Name	(% of MV)
First Quantum Minerals <sup>8</sup>	10.1
West African Resources	6.1
Rea Holdings <sup>9</sup>	4.4
Euronav Luxembourg <sup>10</sup>	3.6
Americas Gold and Silver <sup>11</sup>	3.5
Sigma Lithium	3.3
Ero Copper	3.3
Talon Metals	2.8
BW LPG	2.8
Diversified Gas & Oil	2.5
<b>Top 10 Holdings Represent</b>	<b>42.4</b>
Integra Resources	2.4
Roxgold	2.3
NexGen Energy	2.3
2020 Bulklers	2.2
Tizir	2.2
Raven Property <sup>12</sup>	2.1
Emerald Resources	2.0
Calibre Mining	2.0
Adriatic Metals	1.8
Lynas	1.8
<b>Top 20 Holdings Represent</b>	<b>63.5</b>
<i>The Company has exposure to 125 issues</i>	

### IMPORTANT INFORMATION:

Source: <sup>1</sup>CQS, as at 31 October 2020. <sup>2</sup>CQS, as at 30 October 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. 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 7.5% 01/04/2025 equity valued at £ 773,588.55. <sup>9</sup>Includes Rea Finance 8.75% 31/08/2025 equity valued at £452,500, R.E.A. Holdings Plc Ordinary 25p equity valued at £108,000 and R.E.A Holdings GBp1.26 Warrants 15/07/2025 equity valued at £10,230.81. <sup>10</sup>Includes Euronav Luxembourg SA 7.5% 31/05/2022 equity valued at £637,277.65 and Euronav NV Common NPV equity valued at £318,329.47. <sup>11</sup>Includes Americas Gold and Silver Corporation Comm (USD) equity valued at £588,030.39, Americas Gold and Silver CAD 0.39 09/06/2021 Wts equity valued at £ 48,705.75, and Americas Gold and Silver CAD 0.39 16/06/2021 Wts valued at £15,695.3. <sup>12</sup>Includes Raven Russia GBP equity valued at £131,383.08.

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L20-566/ 11.20

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### **About CQS**

CQS is a credit-focused multi-strategy asset manager founded by Sir Michael Hintze in 1999. Our deep experience allows us to offer solutions for investors across a range of return objectives and risk appetites. We are an active asset manager with expertise across the credit spectrum, including corporate credit, structured credit, asset backed securities, convertibles and loans. We are committed to delivering performance and high levels of service to our investors. CQS has offices in London, New York and Hong Kong.

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