Decmber 2020

CQS New City High Yield Fund

KEY FUND FACTS[1]

Fund Manager
Ian 'Franco' Francis

Launch Date
October 2004

Total Gross Assets
£246.3m

Reference Currency
GBP

Ordinary Shares
Net Asset Value: 48.88p
Mid-Market Price: 52.00p

Yield (estimated)
8.58%

Gearing
13.40%

Premium
6.38%

Ordinary Shares in Issue
436,301,858

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: B1LZS51 GB

Year End
30 June

Contact Information
contactncim@cqsm.com

Company Broker
N+1 Singer
+44 (0) 207 496 3000

AGM
December

Dividend Information
2020/21
1.00p interim paid 30 Nov 2020
See overleaf for previous Dividend information

Fiscal Year-End
30 June

Ian Francis
Portfolio Manager

Fund Description

The objective of the CQS New City High Yield Fund is to provide investors with a high dividend yield and the potential for capital growth by investing mainly in high yielding fixed interest securities.

Fund Management

Founded in 1999, CQS is a $20.9bn[2] 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 Performance[3]

	1 Month (%)	3 Month (%)	1 year (%)	3 Year (%)	5 Year (%)	10 Year (%)
NAV	1.71%	7.67%	(2.85%)	7.28%	28.89%	81.88%
Share Price	7.00%	14.75%	(3.98%)	6.40%	36.58%	83.88%

Investment Commentary[4]

The real economies of the western world continued to suffer as many parts of Europe went into lockdown in mid-December, with many keeping strict lockdowns in place over the Christmas and New Year holiday period to try and slow the second wave of the pandemic. In the UK parts of the economy had a small recovery as manufacturing was buoyed up by panic buying in front of a possible no deal Brexit. Inventories increased to allow for any supply chain glitches that could occur with any new trade deal or hard Brexit. This was a real possibility right up to the point on Christmas Eve when a "Deal" was announced. This pickup was aided by coming out of the second lockdown and the short run to the Christmas break. Away from manufacturing and transport, the service sector weakened further as stricter measures were put in place to slow the spread or the more contagious new strain of virus.

Getting the Brexit deal done was positive news. However, importantly for the UK, it did not include financial services. This needs to be done at a later date and it could be argued that it is at least as important as the overall Brexit deal, this sector generates a considerable percentage of UK GDP. Until this is deal is done, the sector is working under a no deal Brexit scenario. Although many - if not most - Banks and trading businesses had already transferred any EU –focused operations to a European centre such as Paris, Frankfurt, Madrid or Dublin in advance of the event. The UK no longer has seamless access to European markets.

Subsequent to the month end the whole of the UK was put into a full lockdown by Westminster and all regional administrations, which is currently expected to carry through until at least March. A further support package of £4.6 billion to help all businesses was also announced, which seems to have been taken well although there is a rising media coverage of the lack of support for around 3 million self-employed who seem to have been missed by the various support mechanisms. Everything now depends on the ability of the NHS and the supply chain to vaccinate the population in line with government promises and expectations. After that we will be able to see how fast business areas that have been hit hardest, such as travel, leisure and entertainment and not forgetting high street retail, can recover; unfortunately, some will not have survived to reopen.

In Europe the Flash PMI surveys that were published before the imposition of lockdowns mid-month showed that many business sectors were more optimistic than they had been for some time except in consumer facing sectors. It was then hardly a surprise when the official HIS Markit Eurozone Composite PMI survey was published post the end of the month they were 3.5 points lower at 45.3 with a much more negative narrative.

Away from the madness that is the last few weeks of the Trump presidency in the real US economy the Non-Farm Payroll figure for November showed jobs fell down by 245k against a forecast of a rise of 469k; which is hardly good news as Covid-19 continues to run riot across the USA. Whilst many tech stocks go further into what can be viewed as bubble territory it is difficult to predict the point where and for what reason this changes especially when it is not in the interests of governments or central banks to have a market fallout of major proportions. So until markets can look clearly at a post-Covid economy when a truer picture of the recovery and direction of travel can be made we focus on what we can see in front of us.

For the Company's portfolio we sold a proportion of Urban Logistics REIT given its outperformance against a weak sector. We also sold the small holding of Investec 6 ¾% perpetual. New holdings were opened in House of HR 7.5% 2027 (a European recruitment group),, Sparrow 10.5`% 2024 (an offshore maintenance and engineering group) and Modulaire 10% 2023(warehousing and storage facilities) also adding to RM direct lending equity holding. Looking to 2021, it is all about the vaccines, and how the economy shapes up.

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
2019/20 Total 4.46p

Investor Report
Monthly Factsheet

Annual Report & Accounts
Published October

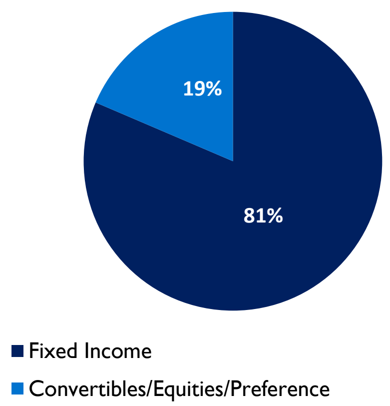
AIFMD Leverage Limit Report (% NAV)

	Gross Leverage (%)[5]	Commitment Leverage(%)[6]
CQS New City High Yield Fund	115	115

[5]Source: CQS, as at 31 December 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.
[6]Source: CQS, as at 31 December 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



Top 10 Holdings (%) [1, 8]

Name	(% of NAV)
CYBG PLC 16-31/12/2049 FRN	6.15%
GALAXY FINCO LTD 9.25% 19-31/07/2027	5.76%
ONESAVINGS BANK 17-31/12/2059 FRN	4.65%
PUNCH TAVERNS 7.75% 14-30/12/2025	4.25%
SHAWBROOK GROUP 17-31/12/2059 FRN	3.86%
BRACKEN MIDCO 8.875% 18-15/10/2023	3.54%
JUST GROUP PLC 8.125% 19-26/10/2029	3.51%
AGGREGATED MICRO 8% 16-17/10/2036	3.35%
CO-OPERATIVE FIN 19-25/04/2029 FRN	3.33%
JUST GROUP PLC 19-31/12/2059 FRN	2.94%
Top 10 Holdings Represent	**41.35**

The Company has exposure to 111 issues
All holdings data are rounded to two decimal places
Total may differ to sum of constituents due to rounding

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

Source: [1]BNP Paribas Securities Services S.C.A, as at 31 December 2020. [2]CQS as at 31 December 2020. [3] BNP 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. [4]All 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. [8]All 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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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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PRI Note: PRI is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMv1.

IN LIGHT OF THE ONGOING ECONOMIC AND FINANCIAL MARKET UNCERTAINTY RELATING TO THE COVID-19 PANDEMIC, THE CONTENTS OF THIS DOCUMENT SHOULD BE TREATED AS SUBJECT TO CHANGE AS MARKETS CONTINUE TO REACT TO CURRENT WORLD EVENTS.

L21-019 / 01.21

Signatory of: PRI Principles for Responsible Investment

SBAI SIGNATORY Jan '20