

# 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

£106.55m

### Reference Currency

GBP

### Ordinary Shares

Net Asset Value: 138.36p  
Mid-Market Price: 119.00p

### Yield (estimated)

4.7%

### Gearing

13.1%

### Discount

(19.36%)

### 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 paid 30 Nov 2020

1.26p interim payable 26 February 2021

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 \$21.1bn<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	(0.9)	28.8	30.5	37.2	7.1	89.6	339.9
Share Price	(3.1)	34.2	34.7	50.5	17.8	107.7	311.6
Benchmark	(3.1)	13.0	8.8	25.9	42.5	178.7	454.3

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

Positive sentiment continued into the new year as markets anticipated a recovery post Covid-19 lockdowns. Whilst we agree the roll out of vaccines, increased saving rates during lockdowns and supply chain constraints from Covid-19 disruptions set up a positive backdrop, there remain some uncertainties with regards to potential disruption from new virus mutations, such as the South African and Brazilian strains. Later in the month, PBoC comments regarding a possible asset bubble and fiscal tightening led to some commodity price weakness. Timing and ultimate size of the proposed US \$1.9 trillion Covid-stimulus package also remains uncertain, but should be supportive when announced. Overall the recent upward momentum lost some steam and, including the 1.26p interim dividend payment, the Fund's return slipped a marginal 1% during January.

Base Metals, and especially copper, remain one of our preferred exposures with a weighting of approximately 18% of NAV. Copper's relatively high value and low storage cost versus the likes of oil, make it better placed to look through near term uncertainties, whilst still benefiting from the clean energy policies central to most government stimulus plans. Illustrating the strong demand outlook for copper, global stockpiles of the metal are at the lowest level since 2008 across three main commodity exchanges (LME, SHFE and COMEX), though we remain off-exchange stockpiles held by China, which opportunistically purchased material in 2020, remain unknown.

Our position in Lynas benefitted as China stated that it will strengthen regulation of Rare Earths, a key input for powerful magnets used in many applications including electric vehicles, after the country had previously threatened to restrict Rare Earth exports. As the only non-Chinese producer it holds strategic relevance politically, highlighted by news the US were funding a \$30m pilot process plant, likely a precursor to a larger plant in Texas, as the US seeks independence from these threats.

Notwithstanding potential disruption from new virus strains, the anticipated demand recovery in oil post Covid-19 has driven the recovery in crude prices. OPEC discipline to constrain supply, with Saudi voluntarily cutting output by an additional 1M barrels per-day, has provided an incremental boost. However, OPEC spare capacity can return and with WTI over \$50/bbl a pick-up in the US onshore rig count heralds a return of a shale production from this swing producer region. Consequently, while the backdrop appears positive, Fund exposure to crude markets is via indirect, activity led crude shippers. The improved responsiveness of crude production, particularly via US onshore capacity, remains a cap to available returns, contrasting sharply with metals such as copper where new mine development offers the potential for more sustained returns whilst also benefiting from more favourable electrification investment themes.

A stronger USD and a pick-up in US 10yr yields weighed on precious metals. Although real yields (10yr TIPS) barely moved, which gold has historically been more correlated to (calculated as nominal yields minus inflation), as implied inflation broke 2% for the next 5 and 10yrs. The Democrats taking the Georgia senate seat added to sentiment on stimulus, whilst also supporting the case for further spending on renewables. We still await clarity on the proposed US \$1.9Trn Covid-19 stimulus package, which if agreed would likely be positive for precious metal sentiment.

**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)**

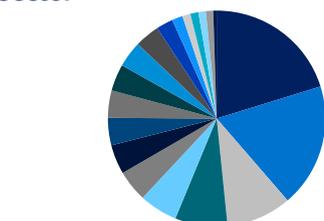
	Gross Leverage (%) <sup>5</sup>	Commitment Leverage(%) <sup>6</sup>
CQS Natural Resources Growth and Income	114	114

<sup>5</sup>Source: CQS, as at 29 January 2021. 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 29 January 2021. 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.

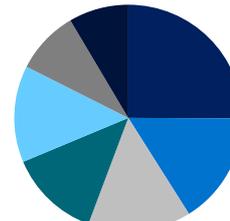
**Portfolio Analysis<sup>1</sup>**

**Sector**



■ Copper	20.2%	■ Gold	18.5%
■ Shipping	9.7%	■ Fixed Interest Securities	7.8%
■ Base metals	7.5%	■ Oil & Gas	4.8%
■ Uranium	4.4%	■ Lithium	4.1%
■ Nickel	4.1%	■ Zinc	4.0%
■ Palm Oil	3.9%	■ Silver	3.7%
■ Rare Earth	2.5%	■ Property	1.6%
■ Coal	1.2%	■ Iron	1.2%
■ Mineral Sands	1.1%	■ Platinum	1.1%
■ Other	0.5%		

**Region**



■ North America	25.1%	■ Latam	16.0%
■ Africa	14.6%	■ Global	13.0%
■ Australia	13.8%	■ Europe	9.1%
■ Asia	8.5%		

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

Name	(% of MV)
First Quantum Minerals <sup>8</sup>	8.8
West African Resources	4.8
Rea Holdings <sup>9</sup>	4.3
Ero Copper	4.2
Sigma Lithium	4.1
Talon Metals	4.0
BW	3.2
Euronav Luxembourg <sup>10</sup>	3.1
NexGen Energy	2.9
Americas Gold and Silver <sup>11</sup>	2.7
<b>Top 10 Holdings Represent</b>	<b>42.1</b>
Lynas	2.6
Trevali Mining	2.5
Foran Mining	2.4
Emerald Resources	2.3
Metals X	2.2
2020 Bulkers	2.1
Diversified Oil & Gas	2.1
Central Asia Metals	1.9
Capstone Mining	1.9
Integra Resources	1.9
<b>Top 20 Holdings Represent</b>	<b>64.0</b>
<i>The Company has exposure to 125 issues.</i>	

### IMPORTANT INFORMATION:

Source: <sup>1,3</sup>CQS, as at 29 January 2021. <sup>2</sup>CQS, as at 29 January 2021, 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 Ltd Common NPV equity valued at £8,322,775.34 and First Quantum Minerals 7.5% 01/04/2025 equity valued at £754,187.30. <sup>9</sup>Includes Rea Holdings Preferred equity valued at £3,916,087.32, Finance 8.75% 31/08/2025 equity valued at £452,500, R.E.A. Holdings Plc Ordinary 25p equity valued at £110,000.00 and R.E.A Holdings GBp1.26 Warrants 15/07/2025 equity valued at £12,212,927. <sup>10</sup>Includes Euronav NV Common NPV equity valued at £2,285,458.82, Euronav Luxembourg SA 7.5% 31/05/2022 equity valued at £605,884.07 and Euronav NV Common NPV equity valued at £322,167.20. <sup>11</sup>Includes Americas Gold and Silver Corporation Comm (USD) equity valued at £584,085.74, Americas Gold and Silver CAD 0.39 09/06/2021 Wts equity valued at £52,620.84 and Americas Gold and Silver CAD 0.39 16/06/2021 Wts valued at £17,041.28.

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L21-093 / 02.21

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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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