

CQS New City High Yield Fund

KEY FUND FACTS¹

Fund Manager

Ian 'Franco' Francis

Launch Date

October 2004

Total Gross Assets

£247.3m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 48.88p

Mid-Market Price: 51.00p

Yield (estimated)

8.75%

Gearing

13.34%

Premium

4.34%

Ordinary Shares in Issue

438,351,858

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

contactncim@cqsm.com

Company Broker

N+I Singer

+44 (0) 207 496 3000

AGM

December

Dividend Information

2020/21

1.00p interim paid 30 Nov 2020

1.00p interim payable 26 February 2021

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 \$21.1bn² 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	2.05	8.91	(1.48)	9.43	35.78	85.97
Share Price	0.02	12.09	(4.58)	6.80	43.73	83.61

Investment Commentary⁴

The New Year was not greeted by large celebrations and bullish noises from markets in the UK with both the FTSE All Share and the FTSE100 down marginally in January. We were now in Lockdown III which is forecast to go on until at least 9th March 2021. The data coming from IHS Markit / CIPS Flash UK composite PMI confirmed the negative market sentiment with a figure of 40.6 down from the December figure of 50.4 which is an 8-month low and gives a clear picture of how the economy is at the moment. The manufacturing output and overall business activity also showed this weakness.

Manufacturing also cited Brexit as a cause as many had stockpiled in advance and subsequently others were having problems with the increased red tape and paperwork. The overall slump in activity due to Lockdown III implies a weak first quarter in 2021, with services hit hardest with rapidly reducing headcounts in the travel and leisure industries in particular. Although less severe than the original Lockdown the cumulative effect is severe.

The good news is there in the form of the UK government ordering way more vaccines than necessary from various sources ahead of their approval, and the wonderful NHS showing how efficiently they can be deployed. To get the UK in a position where Covid-19 is no longer a drain on the NHS will be a major result and as lockdown is cautiously lifted the economy will be able to reopen. We do not believe it will be reopened to where it was prior to Covid-19 but in a different format. Whether or not the high street which was already in decline can recover is open to question, the hospitality industry may well see an initial burst of demand as customers look to make up for lost time and celebrate the end of lockdown similar to the "eat out to help out" surge of the summer. The continued strength of any recovery will be dependent on the ongoing strength of the economy and the jobs outlook and for our exporters it will be how quickly the rest of the world is vaccinated and their economies start to normalize.

Europe as a whole looks to be having a difficult start to the year. Whilst Germany's business activity slowed in January it was still in growth territory, with manufacturing still strong, by contrast France and most of the rest of Europe showed overall business activity is in a steepening decline. The main reasons cited by the survey were the decreasing demand from both corporate and consumers due to the ongoing pandemic. Whilst long term optimism is still there the pace of vaccinations in all European countries is seriously lagging behind the UK, at the time of writing the UK had vaccinated more people than Germany, Turkey, Italy, France and Spain added together. As a major trading partner with Europe it is in our interests that they too get through the pandemic as soon as possible. In the US one word sums political events earlier in the month and stock market events later in the month...Bizarre! The political events should be over now as we have a new President in Joe Biden, let us hope that the way forward is not by tweet! And also that the US regains its place as a respected world superpower and economic leader. The latter part of the month with the Reddit inspired short squeeze on investors with short positions in various stocks by what can only be described as a fiscal riot, may have much longer effects on the functioning of markets. How the regulators deal with this will be interesting as they do not fit into the traditional "concert party" definition. This may not end well for those still holding shares when the music stops.

For the Company we went Ex-Div our second interim dividend of 1p/share which will be payable on 26th February 2021.

For the portfolio we added to the Sparrow 10.5% 2024 and Azerion 8.5% 2023, and sold the Bluewater 10% 2023. We continue to look for opportunities to keep a diverse portfolio with the opportunity for both income and where possible capital gain.

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)

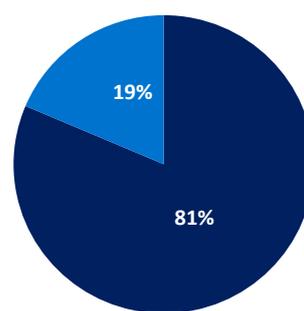
	Gross Leverage (%) ⁵	Commitment Leverage(%) ⁶
CQS New City High Yield Fund	116	116

⁵Source: CQS, as at 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.

⁶Source: 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 ^{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	6.21
GALAXY FINCO LTD 9.25% 19-31/07/2027	5.81
ONESAVINGS BANK 17-31/12/2059 FRN	4.69
PUNCH TAVERNS 7.75% 14-30/12/2025	4.30
SHAWBROOK GROUP 17-31/12/2059 FRN	4.18
JUST GROUP PLC 8.125% 19-26/10/2029	3.71
BRACKEN MIDCO 8.875% 18-15/10/2023	3.62
AGGREGATED MICRO 8% 16-17/10/2036	3.36
CO-OPERATIVE FIN 19-25/04/2029 FRN	3.23
JUST GROUP PLC 19-31/12/2059 FRN	3.01
Top 10 Holdings Represent	42.12

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 29 January 2021. ²CQS as at 29 January 2021. 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.

IMPORTANT INFORMATION:

This document has been issued by CQS (UK) LLP (FRN 400496) which is authorised and regulated by the UK Financial Conduct Authority and/or (as the case may be) CQS (US), LLC which is a registered investment adviser with the SEC. The information is intended solely for sophisticated investors who are (a) professional investors as defined in Article 4 of the European Directive 2011/61/EU or (b) accredited investors (within the meaning given to such term in Regulation D under the U.S. Securities Act of 1933, as amended) and qualified purchasers (within the meaning given to such term in Section 2(a)(51) of the U.S Investment Company Act 1940, as amended).

CQS is a founder of the Standards Board for Alternative Investments (“SBAI”) (formerly, the Hedge Fund Standards Board) which was formed to act as custodian of the alternative investment managers’ industry best practice standards (the “Standards”) published by the Hedge Fund Working Group (“HFWG”) in 2008 and to promote conformity to the Standards. SBAI is also responsible for ensuring that they are updated and refined as appropriate. The Standards were drawn up by HFWG which comprised the leading hedge funds (based mainly in London) in 2007 in response to concerns about the industry, including financial stability and systematic risk. The HFWG completed its work in January 2008 and published its report outlining the Standards. By applying the Standards, managers commit to adopt the “comply or explain” approach described in the Standards.

The term “CQS” as used herein may include one or more of any CQS branded entities including CQS (UK) LLP, CQS Cayman Limited Partnership which is registered with the Cayman Islands Monetary Authority, CQS (Hong Kong) Limited which is regulated by the Hong Kong Securities and Futures Commission, CQS (US), LLC which is registered with the US Securities and Exchange Commission, and CQS Investment Management (Australia) Pty Limited which is registered with the Australian Securities & Investments Commission, Australian Financial Services Licence No. 386047.

This document has been prepared for general information purposes only and has not been delivered for registration in any jurisdiction nor has its content been reviewed by any regulatory authority in any jurisdiction. The information contained herein does not constitute: (i) a binding legal agreement; (ii) legal, regulatory, tax, accounting or other advice; (iii) an offer, recommendation or solicitation to buy or sell shares or interests in any fund or any security, commodity, financial instrument or derivative linked to, or otherwise included in, a portfolio managed or advised by CQS; or (iv) an offer to enter into any other transaction whatsoever (each a “Transaction”).

Any decision to enter into a Transaction should be based on your own independent investigation of the Transaction and appraisal of the risks, benefits and suitability of such Transaction in light of your individual circumstances. Any decision to enter into any Transaction should be based on the terms described in the relevant prospectus, supplement, offering memorandum, private placement memorandum, subscription documents, trading strategy, constitutional document and/or any other relevant document as appropriate (each an “Offering Document”). Any Transaction will be subject to the terms set out in its Offering Document and all applicable laws and regulations. The Offering Document supersedes this document and any information contained herein.

Nothing contained herein shall constitute or give rise to the relationship of partnership nor shall it constitute a joint venture or give rise to any fiduciary or equitable duties. Any information contained herein relating to any third party not affiliated with CQS is the sole responsibility of such third party and has not been independently verified by CQS or any other independent third party. The information contained herein is not warranted as to completeness or accuracy and no representations are made in such respect, nor should it be deemed exhaustive information or advice on the subjects covered; as such, the information contained herein is not intended to be used or relied upon by any counterparty, investor or any other party. The information contained herein, as well as the views expressed herein by CQS professionals made as of the date of this document, is subject to change at any time without notice.

CQS uses information sourced from third-party vendors, such as statistical and other data, that are believed to be reliable. However, the accuracy of this data, which may also be used to calculate results or otherwise compile data that finds its way over time into CQS research data stored on its systems, is not guaranteed. If such information is not accurate, some of the conclusions reached or statements made may be adversely affected. CQS bears no responsibility for your investment research and/or investment decisions and you should consult your own lawyer, accountant, tax adviser or other professional adviser before entering into any Transaction. CQS is not liable for any decisions made or action taken by you or others based on the contents of this document and neither CQS nor any of its directors, officers, employees or representatives (including affiliates) accept any liability whatsoever for any errors and/or omissions or for any direct, indirect, special, incidental or consequential loss, damages or expenses of any kind howsoever arising from the use of, or reliance on, any information contained herein.

Information contained in this document should not be viewed as indicative of future results as past performance of any Transaction is not indicative of future results. Any investment in any fund or other vehicle managed by CQS (a “CQS Fund”) or any of its affiliates involves a high degree of risk, including the risk of loss of the entire amount invested. The value of investments can go down as well as up. An investment in any CQS Fund will involve a number of material risks which include, without limitation, risks associated with adverse market developments, volatility of markets invested in, currency and exchange rate risks, risk of counterparty or issuer default and risk of illiquidity. Any assumptions, assessments, intended targets, statements or other such views expressed herein (collectively “Statements”) regarding future events and circumstances or that are forward looking in nature constitute only subjective views, outlooks or estimates and are based on CQS’s expectations, intentions or beliefs. The Statements should not in any way be relied upon, and involve inherent risk and uncertainties beyond CQS’s control. The Statements should not be assumed to be accurate or complete, now or in the future (including with respect to the composition and investment characteristics of any CQS Fund), and may be subject to change. CQS undertakes no responsibility or obligation to revise or update such Statements. Target returns and volatility targets discussed in this document are high-level, may change with market conditions and are generally used only as guidelines. Target returns reflect subjective determinations by CQS. Performance may fluctuate, particularly over short periods of time. Targeted returns should be evaluated over the time periods indicated and not over shorter periods. Target returns are not intended to be actual performance and should not be relied upon as any indication of actual or future performance. Some of the information contained in this document may be aggregated data of transactions executed by CQS that has been compiled so as not to identify the underlying transactions of any particular CQS Fund.

Any indices included in this document are included to simply show the general market trends relative to the types of investments CQS tends to select for certain CQS Funds for the periods indicated within this document. The indices are not representative of CQS Funds in terms of either composition or risk (including volatility and other risk related factors). CQS Funds are not managed to a specific index.

This document is not intended for distribution to, or use by, the public or any person or entity in any jurisdiction where such use is prohibited by law or regulation. In accepting receipt of this information, you represent and warrant that you have not been solicited, directly or indirectly, by CQS and are receiving this information at your own request. It is your responsibility to inform yourself of and to observe all applicable laws and regulations of any relevant jurisdiction.

CQS (US), LLC is a member of the National Futures Association (the "NFA") and is subject to the NFA's regulatory oversight and examinations. However, you should be aware that the NFA does not have regulatory oversight authority over underlying or spot virtual currency products or transactions or virtual currency exchanges, custodians or markets.

The information contained herein is confidential and may be legally privileged and is intended for the exclusive use of the intended recipient(s) to which the document has been provided. In accepting receipt of the information transmitted you agree that you and/or your affiliates, partners, directors, officers and employees, as applicable, will keep all information strictly confidential. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information is prohibited. Any distribution or reproduction of this document is not authorized and prohibited without the express written consent of CQS, or any of its affiliates.

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.

AIFMD and Distribution in the European Economic Area:

CQS (UK) LLP is an Alternative Investment Fund Manager (an 'AIFM') to certain CQS Funds (each an 'AIF') (as defined in the Alternative Investment Fund Managers Directive (Directive (2011/61/EU) ('AIFMD')). The AIFM is required to make available to investors certain prescribed information prior to investing in an AIF. The majority of the prescribed information is contained in the latest Offering Document of the AIF. The remainder of the prescribed information is contained in the relevant AIF's pre-investment disclosure document, the monthly investor report, and the fund limits document. All of this information is made available in accordance with the AIFMD.

In relation to each member state of the EEA (each a "Member State"), this document may only be distributed and shares or interests in a CQS Fund ("Shares") may only be offered or placed in a Member State to the extent that: (1) the CQS Fund is permitted to be marketed to professional investors in the relevant Member State in accordance with the AIFMD (as implemented into the local law/regulation of the relevant Member State); or (2) this document may otherwise be lawfully distributed and the Shares may otherwise be lawfully offered or placed in that Member State (including at the initiative of the investor).

Information required, to the extent applicable, for Distribution of Foreign Collective Investment Schemes to Qualified Investors in Switzerland:

The representative in Switzerland is ARM Swiss Representatives SA, Route de Cité-Ouest 2, 1196 Gland, Switzerland. The distribution of Shares of the relevant CQS Fund in Switzerland will be exclusively made to, and directed at, qualified investors (the "Qualified Investors"), as defined in the Swiss Collective Investment Schemes Act of 23 June 2006, as amended ("CISA") and its implementing ordinance (the "Swiss Distribution Rules"). Accordingly, the relevant CQS Fund has not been and will not be registered with the Swiss Financial Market Supervisory Authority ("FINMA"). The paying agent in Switzerland is Banque Cantonale de Genève, 17, quai de l'Île, 1204 Geneva, Switzerland. The relevant Offering Document and all other documents used for marketing purposes, including the annual and semi-annual report, if any, can be obtained free of charge from the representative in Switzerland. The place of performance and jurisdiction is the registered office of the representative in Switzerland with regards to the Shares distributed in and from Switzerland. CQS (UK) LLP (as the distributor in Switzerland) and its agents do not pay any retrocessions to third parties in relation to the distribution of the Shares of the relevant CQS Fund in or from Switzerland. CQS (UK) LLP (as the distributor in Switzerland) and its agents do not pay any rebates aiming at reducing fees and expenses paid by the relevant CQS Fund and incurred by the investors.

PRI Note: PRI is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMvI.

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.