

# CQS Natural Resources Growth and Income

## KEY FUND FACTS<sup>1</sup>

### Fund Managers

Ian 'Franco' Francis  
Keith Watson  
Robert Crayfourd

### Launch Date

August 2003

### Total Gross Assets

£115.35m

### Reference Currency

GBP

### Ordinary Shares

Net Asset Value: 151.52p  
Mid-Market Price: 141.50p

### Yield (estimated)

4.0%

### Gearing

12.1%

### Discount

(10.02%)

### 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 paid 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 Crayfourd (L to R)

Portfolio Managers CQS Natural Resources Growth and Income



### Fund Management

Founded in 1999, CQS is a \$21.8bn<sup>2</sup> global multi-strategy asset management firm. The Fund is managed by Ian 'Franco' Francis, Keith Watson and Robert Crayfourd. 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	9.5	25.1	38.9	71.3	17.6	90.1	381.7
Share Price	18.9	37.3	57.9	109.4	41.5	125.8	389.5
Benchmark	5.6	9.8	16.1	43.3	51.5	158.9	485.1

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

Commodities continued to trade strongly through February 2021 with the miners lifting, driven by expectations of a demand recovery on the vaccine roll out and the approval progress of the US \$1.9tn Covid-19 relief stimulus plan. China remains a key driver of demand, although regional demand trends softened towards the end of the month. Supply remains constrained as Covid-19 impacts continued to disrupt production and supply chains of some commodities.

Copper gained 15% during February, hitting an 8-year high, but despite recent strength it remains our preferred base metal. Demand growth from continued trends towards electrification, such as EVs, looks likely to continue for many years to come, whilst a decade of under investment in new projects leads to little new supply additions. This should keep the conditions tight for the metal, which supports pricing.

Oil continues to recover as OPEC production cuts help to reduce global crude inventories, whilst expectations are for demand to recover when lockdown restrictions ease. An extreme cold snap in Texas reduced the supply of shale production, adding further support to benchmark prices during the month. OPEC met on the 4 March 2021 and surprised the market by holding existing cuts.

Precious metals were softer, as investment flows shifted from safe haven assets, such as gold, into cyclical activity plays, weighing on the sector. There was a notable adjustment in bond yields during the month as they appeared to belatedly shift to price in an economic recovery and a higher interest rate outlook. In particular, a US government bond auction received no interest, which prompted a rise in US real interest rates and strengthening US dollar. This weighed on gold, which fell nearly US100/oz at the month end. However, general inflation trends have latterly shown some signs of increasing, largely driven by commodity input prices, which is supportive for gold. While central banks appear more focused on policies to aid employment than restricting demand-led inflation pressures, their ability to adjust monetary policy is being cramped following the substantial increases in debt levels. The risk of central bank policy mistakes, resulting from their need to fine tune interest rates around current historically low levels, remains very real. Italy's Debt to GDP spike to an all-time high of 155.6% in December 2021, higher than during the Euro crisis, is notable in this regard.

Rare earth producer Lynas benefitted when US president Biden signed an executive order aimed at reviewing US dependence on critical foreign supply chains. This appeared to sustain momentum for rare earth metals (a market dominated by China's 80% share of global supply) which continue to rise with Dy, Nd and Pr prices up.

The Fund's position in US nickel explorer, Talon Metals, was reduced to manage the position size with some proceeds reinvested into copper miner Lundin Mining and copper explorer Stavely Minerals. The Fund also opportunistically reduced its position in uranium explorer Denison Mining. While the outlook for nuclear power appears to be improving, as governments focus on reducing greenhouse gas emissions, the shares received a considerable boost from some speculative retail investment and the share price more than doubled at one point during the month.

**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)**

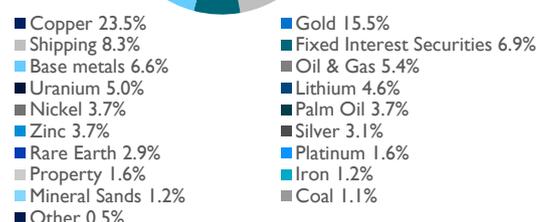
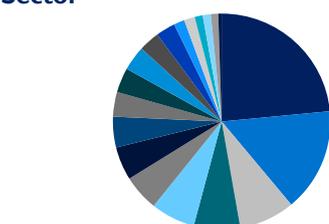
	Gross Leverage (%) <sup>5</sup>	Commitment Leverage(%) <sup>6</sup>
CQS Natural Resources Growth and Income	114	114

<sup>5</sup>Source: CQS, as at 26 February 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.

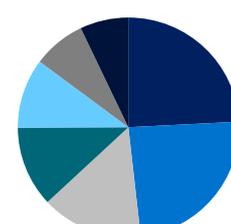
<sup>6</sup>Source: CQS, as at 26 February 2021. For methodology details see Article 4(3) of Directive 2011/61/EU (AIFMD) and Articles 6, 8, 9, 10 and 11 of Delegated Regulation 231/2013.

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

**Sector**



**Region**



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

Name	(% of MV)
First Quantum Minerals <sup>8</sup>	10.0
Ero Copper	4.6
Sigma Lithium	4.6
Rea Holdings <sup>9</sup>	4.1
West African Resources	3.8
Talon Metals	3.7
NexGen Energy	3.3
Euronav Luxembourg <sup>10</sup>	3.0
Metals X	3.0
Lynas Rare Earths	2.9
<b>Top 10 Holdings Represent</b>	<b>43.0</b>
Foran Mining	2.7
BW LPG	2.6
Capstone Mining	2.5
Americas Gold and Silver <sup>11</sup>	2.4
Trevali Mining	2.4
Diversified Oil & Gas	2.1
2020 Bulkers	2.1
Emerald Resources	2.0
Central Asia Metals Capstone Mining	1.9
Integra Resources	1.7
<b>Top 20 Holdings Represent</b>	<b>65.4</b>

*The Company has exposure to 125 issues.*

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

### IMPORTANT INFORMATION:

Source: <sup>1</sup>CQS, as at 26 February 2021. <sup>2</sup>CQS, as at 26 February 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 £10,585,277.97 and First Quantum Minerals 7.5% 01/04/2025 equity valued at £740,290.39. <sup>9</sup>Includes Rea Finance 8.75% 31/08/2025 equity valued at £452,500.00, R.E.A. Holdings Plc Ordinary 25p equity valued at £112,000.00 and R.E.A Holdings GBp1.26 Warrants 15/07/2025 equity valued at £8,507.01. <sup>10</sup>Includes Euronav Luxembourg SA 7.5% 31/05/2022 equity valued at £595,779.99 and Euronav NV Common NPV equity valued at £353,679.99. <sup>11</sup>Includes Americas Gold and Silver Corporation Comm (USD) equity valued at £550,224.08, Americas Gold and Silver CAD 0.39 09/06/2021 Wts equity valued at £23,265.71 and Americas Gold and Silver CAD 0.39 16/06/2021 Wts valued at £7,683.13.

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L21-137 / 03.21

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