

CQS New City High Yield Fund

KEY FUND FACTS¹

Fund Manager

Ian 'Franco' Francis

Launch Date

October 2004

Total Gross Assets

£252.6m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 50.00p

Mid-Market Price: 50.60p

Yield (estimated)

8.81%

Gearing

13.06%

Premium

1.20%

Ordinary Shares in Issue

439,201,858

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

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Company Broker

N+I Singer

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AGM

December

Dividend Information

2020/21

1.00p interim paid 30 Nov 2020

1.00p interim paid 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 \$21.8bn² 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	2.29	6.17	1.58	11.97	41.05	86.32
Share Price	(0.78)	6.17	(1.98)	8.46	36.71	76.02

Investment Commentary⁴

The hugely efficient roll-out of vaccinations by the UK was the driver of positive moves for financial markets, clearly evidenced by the strength of Sterling against the US\$ starting the month at \$1.3663 peaking at \$1.4141 on the 24th February 2021, before settling back to \$1.3933 at the end of the month. In February, sentiment greatly improved around the service sector, which has been decimated by the pandemic, as the industry looked through to the end of lockdown restrictions and the reopening of the economy. This was taken from the data and comments in the IHS Markit/Flash UK Services PMI recovering from 39.7 in January 2021 to 49.7 in February 2021 (almost back to an unchanged 50.0). Manufacturing continued to perform relatively well with the IHS Markit/Flash Manufacturing PMI figure at 54.9 up from 54.1 in January 2021 helped by growth in domestic orders, unfortunately export orders remained weak with businesses citing difficulty fulfilling orders to their existing clients in the EU due to higher costs of transportation, delays, increased red tape and the worry that British ports are not ready for the extra customs checks due in July 2021. Whilst it is most probable that our domestic economy recovers well over the coming months, we need to build confidence in future trade partners that we can process goods and associated paperwork correctly and efficiently.

In mainland Europe the economy is still a two speed one: Manufacturing was particularly strong in Germany whilst France showed more modest growth; the rest of the Eurozone showed the most robust growth since August last year. Meanwhile the service sector remained in the doldrums being weakest in France and Germany but noises out of the rest of Europe were more positive. The rollout of vaccines in Europe is still slow, with less than 10% of the population receiving their first dose, compared to just over 30% in the UK. Southern European states will be keen to open for tourism in the holiday period so there will be increased pressure on their governments to speed up the process. We watch with interest how this goes as a lot of UK jobs in the travel industry are linked to the opening up of the UK's favourite overseas destinations.

The United States are also getting the population vaccinated pretty efficiently: around 25% of the population at the end of February 2021. The underlying economy saw its strongest growth for nearly six years, with further sustained growth in manufacturing and accelerating demand in the service sector. Evidenced by the IHS Markit Flash U.S. Composite PMI Output Index at 58.8 vs 58.7 in January 2021, the strongest since March 2015, all this despite extreme weather conditions in the south of the country. The strength of the real economy has pushed rates higher in US treasuries to 1.6% on worries of higher inflation despite comments from Chairman Jay Powell that the Federal Reserve is unlikely to raise rates for some time even if inflation breaches the 2% target. The US economy is a long way ahead of Europe in terms of economic recovery coming out of the pandemic.

The company paid its second interim dividend of 1p/share at the end of the month. For the company's portfolio: a slightly busier month than of late due to two holdings being called by their issuers, Iceland 6 ¾% 2024 and Veritas 7.5%, with the proceeds being redeployed into Boparan finance 7 5/8% 2025 and Aggregated Micro Power 8% 2036. During the month we took the opportunity to switch out of Unique Pubs 7.395% 2024 into Stonegate 8 ¼% 2025, a higher rated and higher yielding bond in the same group. We participated in new issues for Siccar point energy 9% 2026 a North Sea E&P company with producing assets, and a tap issue in Azerion 8 ½% 2023. and at the end of the month we sold part of our Punch Taverns 7 ¾% 2025.

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)

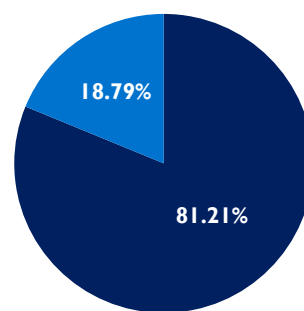
	Gross Leverage (%) ⁵	Commitment Leverage(%) ⁶
CQS New City High Yield Fund	114	114

⁵Source: 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.

⁶Source: 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 ^{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	6.15
GALAXY FINCO LTD 9.25% 19-31/07/2027	5.78
ONESAVINGS BANK 17-31/12/2059 FRN	4.64
SHAWBROOK GROUP 17-31/12/2059 FRN	4.25
JUST GROUP PLC 8.125% 19-26/10/2029	3.74
AGGREGATED MICRO 8% 16-17/10/2036	3.70
BRACKEN MIDCO 8.875% 18-15/10/2023	3.61
CO-OPERATIVE FIN 19-25/04/2029 FRN	3.30
PUNCH TAVERNS 7.75% 14-30/12/2025	3.19
JUST GROUP PLC 19-31/12/2059 FRN	2.99
Top 10 Holdings Represent	41.36

The Company has exposure to 108 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 26 February 2021. ²CQS as at 26 February 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.

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