March 2021

CQS New City High Yield Fund

KEY FUND FACTS[1]

Fund Manager
Ian 'Franco' Francis

Launch Date
October 2004

Total Gross Assets
£256.9m

Reference Currency
GBP

Ordinary Shares
Net Asset Value: 50.98p
Mid-Market Price: 51.00p

Yield (estimated)
8.75%

Gearing
12.84%

Premium
0.04%

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: B1LZS51 GB

Year End
30 June

Contact Information
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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 $21.0bn[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	1.96	6.43	28.43	15.35	38.84	84.81
Share Price	0.79	0.02	37.39	9.31	35.92	68.19

Investment Commentary[4]

The UK economy signalled that it is ready for a post lockdown recovery, with business activity throughout the Country expanding at the fastest rate for seven months, supported by the rise in new orders for the first time since September 2020. With consumer confidence showing good improvement, the service sector is in the forefront outrunning a strong manufacturing sector. Overall the Flash UK Composite output index was a very strong 56.6 in March vs February at 49.6. These figures are much firmer than many economists predicted, which as a result may lead to a lower fall in the GDP figure for the first quarter of 2021. Despite the negatives of more Brexit customs burdens, businesses can now see a positive route ahead and are buying more product to head off any disruptions caused by supply chain difficulties or red tape, so that they have goods to sell when lockdown is eased. Individual households are still having a hard time evidenced by the Scottish Widows Household Finance Index at 42 in the first quarter, albeit a slight improvement on the last quarter of 2020 figure of 41.1, but still well below the neutral 50 level, headlines taken from the report would be "Further squeezed savings", "lower income from employment" and "less cash to spend". The appetite for major purchases fell at its slowest rate since the beginning of the pandemic; of particular note was that the 55-64 age group was the most positive to this sector of the survey, a definite sign that the vaccination program has a positive impact on the way those have received it view the future!

The European economy was returning to growth for the first time in six months. Although it was at its most divergent, the composite figure for the IHS Markit Eurozone composite PMI rose from 48.8 in February, to 52.5 in March. But the split between Manufacturing where the IHS Flash Eurozone Manufacturing PMI Output Index hit 63 a record high since June 1997 with Germany in particular recording record growth, and, France seeing its best figure since January 2018. Whereas in the services sector, Germany was the only economy to show very modest service sector growth whilst the rest of Europe seeing slower rates of contraction, shown by the Flash Eurozone Services PMI Activity index at 48.8 is still being affected by Covid-19 lockdowns. The positive to be taken from the latest survey is that jobs are being added in manufacturing, particularly Germany, which added the most jobs since June 2018. With the third wave hitting Europe, this two speed economy is going to persist, global demand for goods continues stretching supply chains and inflating input and output prices. Meanwhile, the services sector is being constrained by lockdowns, social distancing and travel bans. Europe needs to speed up its vaccine programme.

In the United States the economy is in full recovery mode with new orders growing faster than any time in the last 6 ½ years, despite capacity being constrained by supply shortages across most industries. New orders continue to rise spectacularly, with growth showing at its fastest since June 2014. The difference with mainland Europe is the very strong services sector, which signalled its strongest performance since July 2014 helped by the vaccine roll out and loosening of Covid-19 restrictions in some states. Here too, the Manufacturing Industry was seeing strong order growth and a strong rate of job creation, but also the most constrained supply chain since May 2007 due to lack of raw materials and the ability to find suitable candidates for the jobs created! Which in turn is creating inflation in input and output prices. This inflation worry is being taken by the US Treasury market with the yield on the 10 year hitting 1.75% at the end of the month, despite comments from the Federal Reserve Chairman Jay Powell stating that rates will not be increasing any time soon. It remains to be seen how much inflation takes hold and for how long.

A quiet month for the company, with one new investment being made in Coburn resources 12% 2026 a mineral sands producer in western Australia, which is well placed to benefit from global growth. We continue to see how the various economies come out of Covid-19 and keep a wary eye towards any negatives out there, such as the third wave and the poor control of the virus in countries such as Brazil, which will probably lead to new strains of the disease.

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

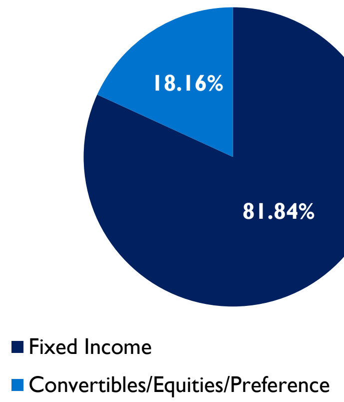
AIFMD Leverage Limit Report (% NAV)

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

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



Top 10 Holdings (%) [1,8]

Name	(% of NAV)
CYBG PLC 16-31/12/2049 FRN	6.22
GALAXY FINCO LTD 9.25% 19-31/07/2027	5.48
ONESAVINGS BANK 17-31/12/2059 FRN	4.60
SHAWBROOK GROUP 17-31/12/2059 FRN	4.26
JUST GROUP PLC 8.125% 19-26/10/2029	3.71
AGGREGATED MICRO 8% 16-17/10/2036	3.58
BRACKEN MIDCO 8.875% 18-15/10/2023	3.57
CO-OPERATIVE FIN 19-25/04/2029 FRN	3.38
PUNCH TAVERNS 7.75% 14-30/12/2025	3.20
JUST GROUP PLC 19-31/12/2059 FRN	2.97
Top 10 Holdings Represent	**40.97**

The Company has exposure to 103 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 March 2021. [2]CQS as at 31 March 2021. [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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L21-164 / 04.21

Signatory of: PRI Principles for Responsible Investment

SBai Standards Board for Alternative Investments SIGNATORY Jan '21