

CQS Natural Resources Growth and Income

KEY FUND FACTS¹

Fund Managers

Ian 'Franco' Francis
Keith Watson
Robert Crayfourd

Launch Date

August 2003

Total Gross Assets

£128.62m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 152.11p
Mid-Market Price: 142.25p

Yield (estimated)

3.6%

Gearing

12.4%

Discount

(13.62%)

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
1.26p interim payable 28 May 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 \$21.8bn² 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 Performance³

	1 Month (%)	3 Month (%)	6 Month (%)	1 year (%)	3 Year (%)	5 Year (%)	Since Inception
NAV	11.5	22.6	57.9	107.8	40.9	71.3	439.3
Share Price	9.7	31.1	76.0	135.3	57.6	115.6	439.7
Benchmark	0.6	5.0	18.2	37.7	48.6	118.0	479.7

Investment Commentary⁴

April was another strong month for commodities, including the 1.26p final dividend; the Fund NAV returned 11.5% during the month. Base metals continued their upward trajectory, oil recovered further and precious metal prices also turned positive. Chinese Q1 trade data showed strong demand for industrial metals across the board, even when adjusting for soft base effects from Q1 last year. Taking into account Q1 2020's low base, the numbers were strong with copper's apparent consumption growth of 17% year on year; closely followed by steel, aluminium and zinc. Chinese premier Li Keqiang indicated the nation would strengthen controls to limit commodity inflation, although given this inflation is partially a result of China's efforts to reduce polluting manufacturing capacity, it would require them to step back from an environmental policy that is likely a greater focus for the government.

Copper, which represented nearly a quarter of the Fund's NAV at the beginning of the month, saw notable gains with LME prices rising 11.8% during April. It threatened to break above the previous all-time high of \$10,190/t towards month-end, a level it has now surpassed. This has been a major contributor to the Fund's strong performance. In addition to the strong demand, which has been boosted by environmentally focused government stimulus that remains an important investment theme given copper's use in everything electrical, supply remains relatively constrained with few new projects entering production. Ongoing supply risks in important producing regions of Chile and Peru, whose combined output typically represents around 35% of global copper units, may also act to suppress supply and maintain the tight balance experience in 2020 resulting from Covid-19 related mine closures. Of note, union wage negotiations have raised strike risks in Chile through 2021, while a leftist candidate leading the Presidential election polls in Peru is campaigning to increase tax on Peruvian miners. The increased uncertainty in these regions will deter investment and act to limit supply.

Crude oil prices remained strong, despite a threat to demand from spiking Covid-19 cases in India and OPEC+ continuing with the prior stated strategy to relax production restrictions. Combined OPEC+ production will see a phased increase in output of 2M bbl/d over three months commencing in May. That will leave OPEC+ production cuts at 5.8 Mb/d for H2 2021. The US continues to hold talks with Iran regarding a possible re-establishment of the nuclear deal, adding risk of further supply from the region, which has over 1.0 Mb/d of spare production capacity, should sanctions be lifted. Libya's disclosure that it was experiencing production issues due to a lack of funding from the government provides a potential source of supply disruption.

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

In the US, a number of congress members have proposed legislation to improve permitting processes for critical mineral projects, as part of the country's own political drive to reduce reliance on foreign raw materials for a number of strategic metals including rare earths, uranium and nickel. This is supportive for a number of names in the Fund, such as Lynas and Talon Metals, though both these equities slipped back following their recent strong performance.

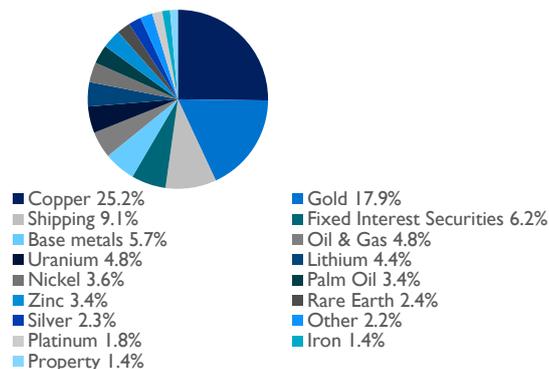
Strong positive contributions were made by copper producers First Quantum and Capstone, and developer Foran Mining, whose share prices rose 20%, 35% and 22% respectively over the month. Gold producer West African Resources, whose share price rose over 25% after delivering strong results and flagging rapid repayment of its project debt, also made a strong contribution.

Iron ore gained with Q1 output from the large producers falling short of expectations, while some disruption risk arose as a local government in Brazil claimed port environmental breaches by domestic iron ore and steel producer CSN, which could disrupt some 25-30Mt if the port is closed for a lengthy period.

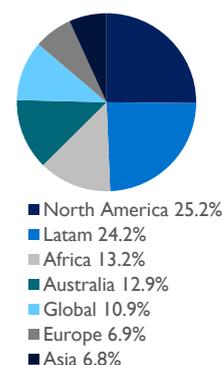
Trading was relatively limited over the period with the Fund adding to its existing position in explorer Palladium One, which has continued to report encouraging copper-nickel drill results at its core Kaukai project in Finland.

Portfolio Analysis¹

Sector



Region



TOP 20 HOLDINGS (%)^{1, 7}

Name	(% of MV)
First Quantum Minerals ⁸	9.5
West African Resources	5.0
Ero Copper	4.6
Sigma Lithium	4.4
Foran Mining	4.1
Rea Holdings ⁹	3.6
Talon Metals ¹⁰	3.6
Capstone Mining	3.3
NexGen Energy	3.1
2020 Bulkers	3.1
Top 10 Holdings Represent	44.3
BW LPG	2.9
Metals X	2.7
Euronav ¹¹	2.6
Trevali Mining ¹²	2.5
Lynas Rare Earths	2.4
Emerald Resources	2.4
Central Asia Metals	1.9
Roxgold	1.8
Diversified Oil & Gas	1.8
Americas Gold and Silver ¹³	1.8
Top 20 Holdings Represent	67.1

The Company has exposure to 99 issues.

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

AIFMD Leverage Limit Report (% NAV)

	Gross Leverage (%) ⁵	Commitment Leverage(%) ⁶
CQS Natural Resources Growth and Income	115	115

⁵Source: CQS, as at 30 April 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 30 April 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.

IMPORTANT INFORMATION:

Source: ¹CQS, as at 30 April 2021. ²CQS, as at 30 April 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). ⁴All 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. ⁷All 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. ⁸Includes First Quantum Minerals Ltd Common NPV equity valued at £11,370,832.8 and First Quantum Minerals 7.5% 01/04/2025 equity valued at £749,792.35. ⁹Includes Rea Holdings Preferred equity valued at £4,187,011.6, Rea Finance 8.75% 31/08/2025 equity valued at £452,500, R.E.A. Holdings Plc Ordinary 25p equity valued at £6,713.14. ¹⁰Includes Talon Metals Corporation Common NPV values at £4,643,791.46 and Talon Metals Corp C/WTS 18/03/22 valued at £0.18. ¹¹Euronav NV Common NPV equity valued at £2,778,861.81, Euronav Luxembourg SA 7.5% 31/05/2022 equity valued at £600,917.27. ¹²Trevali Mining Corp equity valued at £2,943,378.64 and Trevali Mining Warrants valued at £216,590.72. ¹³Includes Americas Gold and Silver Corporation Common NPV equity valued at £2,250,770.82. Americas Gold and Silver Corporation Comm (USD) equity valued at £1,572.81 and Americas Gold and Silver CAD 0.39 09/06/2021 Wts equity valued at £600.84.

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