May 2021

CQS New City High Yield Fund

KEY FUND FACTS[1]

Fund Manager
Ian 'Franco' Francis

Launch Date
October 2004

Total Gross Assets
£262.2m

Reference Currency
GBP

Ordinary Shares
Net Asset Value: 51.81p
Mid-Market Price: 54.00p

Yield (estimated)
8.26%

Gearing
12.59%

Premium
4.23%

Ordinary Shares in Issue
442,301,858

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

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AGM
December

Dividend Information

2020/21
1.00p interim paid 30 Nov 2020
1.00p interim paid 26 February 2021
1.00p interim paid 28 May 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 $22.2bn[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	0.60	5.64	25.37	16.66	42.50	89.01
Share Price	0.37	8.70	25.53	14.45	39.09	74.78

Investment Commentary[4]

Sentiment in the UK economy was definitely off to the races in May, with business activity reporting record growth rates as the economy reopened. In Manufacturing, new orders are coming in at a record pace as the global economy, with the associated demand for goods and services, is in full recovery mode. The hottest areas of our economy are Hotels, Restaurants and Consumer Services as the loosening of lockdown allows inside venues and non-essential retail stores to reopen, which is a very important factor for most high-streets in the UK. However, despite such huge product demand, for manufacturing businesses the 'fly in the ointment' continues to be worsening supply chain delays, the inflation of prices in raw materials and the difficulty experienced in hiring to fill the many job vacancies. These factors point to further delays across the manufacturing and construction space and, more worryingly, inflation rearing its ugly head in the second half of the year. This is clearly evidenced by cement prices being raised by 15% in DIY stores, along with chipboard prices up 10% and rises in the cost of copper cabling in the electrical industry are up 30%. Inflation of this sort is always viewed as dangerous to the economy, particularly if it is more than a short spike. Market sentiment is still following the success of vaccinations with Sterling strengthening by 2.8% against the US dollar to $1.4, as well as the FTSE All Share index up 0.8% on the month after a volatile first week.

The Eurozone also had a surge in the demand for goods and services, which was at its steepest for 15 years with the lockdown being eased to their lowest since October last year. This has had a particularly positive effect on the service sector activity and close to record growth in the manufacturing sector, but employers are still having difficulty filling vacancies and experiencing record supply chain delays. The imbalance between supply and demand is pushing inflationary pressures sharply upwards, and how long this lasts is crucial to long term stability of economies. Much like the UK, Europe is hoping for the supply of raw materials to come back in line with demand in short order.

In the US, the story is very similar to that of the UK and Europe; with output expanding rapidly, supply chain disruption leading to soaring costs and backlogs of orders rising at the fastest rate on record. Again, there is mention that companies are unable to hire sufficient staff, this may be that employees are being pickier as to what jobs they want to do, or that they are making the most of federal and local government payments until they run out in July. Hence, the backlog of work as firms fail to meet demand. We wait to see how this pans out when the subsidies cease.

The Company paid its third interim dividend of 1p/share at the end of the month. For the Portfolio we added to the Raven property preferred in a market placing, we also added to Navig8 Topco 12% 2023, Enquest 7% 2022 and, having had an update from VPC speciality lending, increased our holding in the ordinary shares. On the sale side we took further profits on Casino Guichard 3.992% perpetual whilst the amortisation of Gran Columbia Gold 8.25% 2024 and Oilflow 12% 2022 continued.

The summer months this year will continue to have a news flow on how the world economy is coming through Covid-19 and how the Western and far Eastern economies, in particular, reopen post-government furloughs for employees. The big 'but' is going to be how fast the rest of the world can get vaccinated or be seen to be getting the pandemic under control, as well as how many new variants occur and how these will react to the current vaccines.

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

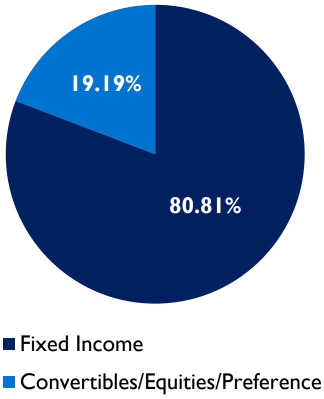
AIFMD Leverage Limit Report (% NAV)

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

[5]Source: CQS, as at 28 May 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 28 May 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	6.21
GALAXY FINCO LTD 9.25% 19-31/07/2027	5.42
SHAWBROOK GROUP 17-31/12/2059 FRN	4.69
ONESAVINGS BANK 17-31/12/2059 FRN	4.43
AGGREGATED MICRO 8% 16-17/10/2036	3.91
RAVEN RUSSIA 12% 09-31/12/2059	3.75
JUST GROUP PLC 8.125% 19-26/10/2029	3.70
CO-OPERATIVE FIN 19-25/04/2029 FRN	3.70
BRACKEN MIDCO 8.875% 18-15/10/2023	3.40
PUNCH TAVERNS 7.75% 14-30/12/2025	3.20
Top 10 Holdings Represent	**42.42**

The Company has exposure to 109 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 28 May 2021. [2]CQS as at 28 May 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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L21-282 / 06.21

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