

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

£131.46m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 172.61p
Mid-Market Price: 160.50p

Yield (estimated)

3.5%

Gearing

12.2%

Discount

(12.11%)

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

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Company Broker

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AGM

December

Dividend Information

2020/21

1.26p interim paid 30 Nov 2020

1.26p interim paid 26 February 2021

1.26p interim paid 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 \$21.9bn² 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	(4.8)	14.3	24.5	83.1	40.8	68.2	452.8
Share Price	(11.9)	12.0	29.7	109.6	64.5	112.3	451.0
Benchmark	(3.1)	0.3	10.2	27.5	52.4	110.4	517.7

Investment Commentary⁴

Inflation remains a focus for commodity investors driven by better-than-expected economic recoveries, especially in developed markets whose recovery has lagged that of China. Whilst generally positive for commodities in the long run, there are some conflicting short-term implications notably with regards to central banks' monetary policy response as they consider shifting towards a tightening bias. The US Fed are now more openly discussing possible tapering of bond purchases and indicate a rate hike in 2023. China's inflationary concerns prompted a more targeted response aimed at dampening commodity price increases, with restrictions set on speculative trading and the release of a small amount of base metals from the nation's strategic reserves. Elsewhere, Russia has expanded export tariffs to encompass nickel and aluminium in addition to some soft commodities in its efforts to limit domestic inflation. These factors weighed on the broader sector, especially copper, which declined around 8.7% over the month. Precious metal prices also fell after FOMC minutes broached the subject of tighter monetary policy, with gold declining around 7.2% over the month.

Oil prices firmed during June with crude markets remaining tight. Against the rising demand backdrop and continued decline in US oil inventories, markets are expecting a loosening of production quotas OPEC+ with a staged return of approximately 2Mbopd expected from the group during the second half of the year. Delays to a possible removal of US sanctions against Iran following the election of a new hard-line president Ebrahim Raisi, and therefore delays to a resumption of Iranian oil exports, provided some support to crude prices; though this may only serve to bolster OPEC+ confidence to restart idled production capacity at the next meeting in July.

The approval of Biden's infrastructure investment plan is supportive for commodities. Of the US\$579bn investment budget, US\$312bn is to be directed at steel intensive transportation, US\$252bn towards sectors such as power, broadband and water, which are more base metal intensive and US\$15bn directed at electric vehicles. China's Association of Automobile Manufacturers (CAAM) reaffirmed that it expects electric vehicle sales in the country to be at least 2 million units in 2021, with a high end case of 2.5 million vehicles. This keeps China on track to achieve its goal for electric vehicles to represent at least 20% of total new car sales by 2025, which CAAM estimates will equate to annual sales of 6 million units. This improved sentiment, together with a positive project update, which supports a potential doubling of lithium production, helped drive a strong performance of Sigma Lithium, whose share price rose over 189% over 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

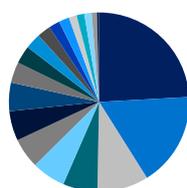
Results Announced
Finals: October
Interims: March

ESG is increasingly diverting miners' capex from growth and towards improved production methods, which ultimately looks supportive for commodities. This is evidenced by Vale's plans to spend US\$4-6bn by 2030 on emission reductions, a US\$2bn increase on its previous capex guidance. Seaborne iron ore prices also remained firm with benchmark prices up around 7% in June though there has been notable news of progress on large scale, Chinese funded iron ore development projects, notably in West Africa, which will add significantly to supply. The Fund continues to remain exposed to dry bulk shipping, which continues to benefit from the improvement in trade for commodities such as iron ore.

While declines in base and precious metal equities weighed on the Fund NAV, which declined 4.8% over the month, performance was cushioned by notable positive contributions by developer Sigma Lithium, oil driller Precision Drilling, dry bulk shipper 2020 Bulkers and by some modest sterling softness. The Fund added to its position in ASX-listed gold developers Ora Banda and Firefinch during the month.

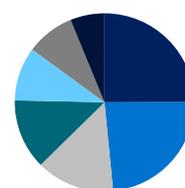
Portfolio Analysis¹

Sector



■ Copper 24.0%	■ Gold 17.0%
■ Shipping 9.2%	■ Oil & Gas 6.2%
■ Fixed Interest Securities 6.0%	■ Lithium 5.4%
■ Base metals 5.4%	■ Uranium 5.1%
■ Zinc 3.7%	■ Palm Oil 3.2%
■ Nickel 2.8%	■ Rare Earth 2.4%
■ Platinum 2.0%	■ Coal 1.9%
■ Silver 1.4%	■ Property 1.4%
■ Iron 1.3%	■ Mineral Sands 0.9%
■ Diversified Minerals 0.4%	

Region



■ North America 25.0%	■ Latam 23.5%
■ Australia 14.1%	■ Africa 12.8%
■ Global 9.8%	■ Europe 8.7%
■ Asia 6.2%	

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

Name	(% of MV)
First Quantum Minerals ⁸	8.2
Sigma Lithium Resources	5.4
Foran Mining	5.2
West African Resources	4.9
Ero Copper	4.4
Euronav Luxembourg ⁹	3.8
R E A Holdings ¹⁰	3.5
Nexgen Energy	3.4
Capstone Mining	2.8
Talon Metals ¹¹	2.8
Top 10 Holdings Represent	44.4
BW LPG	2.5
Trevali Mining ¹²	2.5
2020 Bulkers	2.5
Lynas	2.4
Metals X	2.4
Precision Drilling	2.1
Emerald Resources	2.1
Roxgold Npv	1.7
Odyssey Gold	1.6
Central Asia Metals	1.6
Top 20 Holdings Represent	65.8

The Company has exposure to 92 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	113	113

⁵Source: CQS, as at 30 June 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 June 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 June 2021. ²CQS, as at 30 June 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 equity valued at £9,797,109.29 and First Quantum Minerals 7.5% 01/04/2025 equity valued at £750,117.63. ⁹Includes Euronav NV equity valued at £4,246,865.57 and Euronav Luxembourg SA 7.5% 31/05/2022 valued at £6000,065.15. ¹⁰Includes Rea Finance 8.75% 31/08/2025 equity valued at £452,500.00, R.E.A. Holdings Plc Ordinary 25p equity valued at £1,000.29 and Rea Holdings Preferred valued at £4,039,234.72. ¹¹Includes Talon Metals Corp valued at £3,643,024.58. ¹²Trevaili Mining Corp equity valued at £3,073,694.62 and Trevaili Mining Warrants valued at £71,886.70.

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