

CQS Natural Resources Growth and Income

KEY FUND FACTS¹

Fund Managers

Ian 'Franco' Francis
Keith Watson
Robert Crayford

Launch Date

August 2003

Total Gross Assets

£129.25m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 170.80p
Mid-Market Price: 135.75p

Yield (estimated)

4.1%

Gearing

11.6%

Discount

(20.52%)

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
1.82p interim paid 31 August 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 Crayford (L to R)

Portfolio Managers CQS Natural Resources Growth and Income



Fund Management

Founded in 1999, CQS is a \$21.6bn² global multi-strategy asset management firm. The Fund is managed by Ian 'Franco' Francis, Keith Watson and Robert Crayford. Supported by the CQS credit analyst team.

Ordinary Share and NAV Performance¹

	1 Month (%)	3 Month (%)	6 Month (%)	1 year (%)	3 Year (%)	5 Year (%)	Since Inception
NAV	1.5	(4.8)	14.8	59.5	53.4	57.9	453.0
Share Price	(2.7)	(23.3)	(2.0)	54.7	52.1	50.2	379.6

Investment Commentary³

Earlier in the month, a Chinese regulatory clamp down across the tech and education sectors weighed on pricing across commodities. This tone softened later in the month following weak economic data, which added to the belief that China may see some fiscal support. While labour tightness and some raw material shortages/supply disruption has weighed on readings, the data has already been overtaken by the outbreak of, and government responses to, the more recent Delta variant Covid-19 outbreaks. Iron ore fell 14% over the month, as Chinese policy on cutting steel mill capacity, to reduce emissions, reduced demand. The Fund has minimal exposure to Iron ore, which is dominated by BHP, Rio and Vale.

The US dollar continues to see pressure following the US Fed's Jackson Hole meeting. Given the US dollar is the reference currency for all commodities, this was broadly supportive, with gold as the most clearly correlated. Weak global auto production has continued due to the global chip shortage, which remains a head wind for commodity demand with the duration of disruption pointing to 2H2022, although this will lead to pent up demand at this point. Therefore, the market and orders should begin to look through this over coming months.

A number of copper mines remain exposed to strikes, whilst a proposed punitive copper royalty tax in Chile passed the Senate Mining committee and will now formally head to the Senate floor for debate. This adds further fiscal uncertainty to the largest copper mining country in the world, making the sanctioning of new projects less likely, limiting supply. Chile has also set out a new framework policy on how miners trace the source of their water usage, following droughts in the country.

Gas and electricity prices have been incredibly strong globally as resurgent demand has met constrained supply. This is in part due to a decline in supply from Russia following a fire at a Gazprom facility, although it could also be due to strategic policy by Russia as they seek final approvals for the Nord Stream 2 gas pipeline. Seasonally, gas prices are normally softer in summer, which points to increased tightness this winter. We are already seeing coal power plants being switched on, whilst burning oil for power is now economic again in some regions. The Fund's primary gas exposure is through Diversified Energy, which operates in the US. Thermal coal prices have also lifted, although were already strong following mine closures in China. This is also likely to see greater political support for existing nuclear power infrastructure, as the only source of zero carbon base load power.

Gold was flat over the month but equities pulled back as sentiment for the sector remains negative and valuation multiples remain at historic lows. Sentiment has been driven by concerns on US tapering and ultimately rate rises remain key, but these are now very clearly flagged by the US Fed. Whilst the market has bought the Fed's transitory inflation message, the risks of inflation remain clear given current shortages of housing, commodities, gas/electricity and labour. Inflation driven by supply shortages is bad inflation and can hurt the global economy, which is constructive for gold, versus inflation driven by strong demand given the negative implications to discretionary spend on the global economy. Precious metals remain well positioned as a hedge against this as rates are ultimately likely to remain historically low, but inflation is increasingly a concern.

KEY FUND FACTS (continued)

Dividend Information (continued)

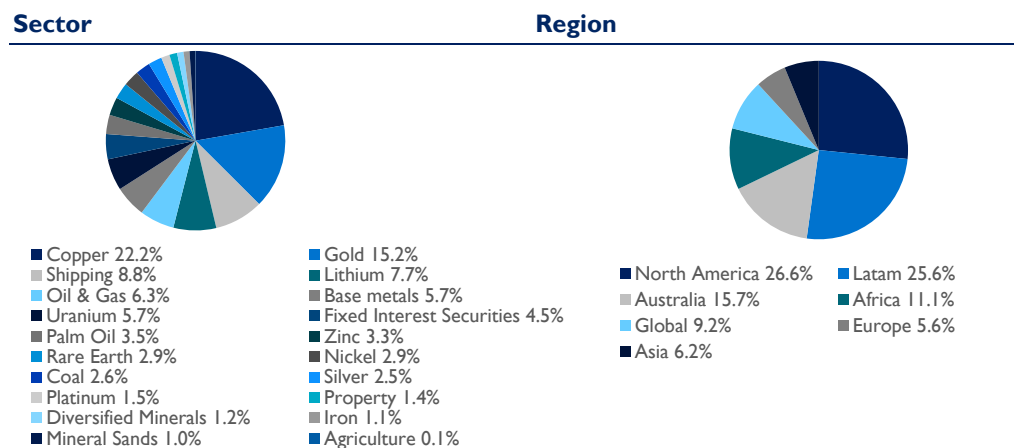
2012/13	Total	5.50p
2013/14	Total	5.60p
2014/15	Total	5.60p
2015/16	Total	5.60p
2016/17	Total	5.60p
2017/18	Total	5.60p
2018/19	Total	5.60p
2019/20	Total	5.60p

Investor Report
Monthly Factsheet

Annual Report & Accounts
Published: October

Results Announced
Finals: October
Interims: March

Portfolio Analysis¹



AIFMD Leverage Limit Report (% NAV)

	Gross Leverage (%) ⁴	Commitment Leverage(%) ⁵
CQS Natural Resources Growth and Income	111	111

⁴Source: CQS, as at 31 August 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.

⁵Source: CQS, as at 31 August 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.

TOP 20 HOLDINGS (%)^{1, 6}

Name	(% of MV)
First Quantum Minerals ⁷	7.7
Sigma Lithium Resources	6.8
West African Resources	5.2
Foran Mining	4.2
Ero Copper	4.1
Nexgen Energy	4.0
R E A Holdings ⁸	3.7
Euronav Luxembourg ⁹	3.5
Metals X	3.1
Capstone Mining	3.0
Top 10 Holdings Represent	45.3
Lynas	2.9
Talon Metals ¹⁰	2.9
2020 Bulkers	2.8
Diversified Energy	2.5
Arch Resources	2.2
BW LPG	2.1
Trevali Mining ¹¹	2.1
Emerald Resources	1.8
Fortuna Silver Mines	1.8
	2

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

IMPORTANT INFORMATION:

Source: ¹ICQS, as at 31 August 2021. ²Total return performance as at 31 August 2021. 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). ³All 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. ⁶All 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. ⁷Includes First Quantum Minerals equity valued at £8,859,128.28 and First Quantum Minerals 7.5% 01/04/2025 equity valued at £755,449.59. ⁸Includes Rea Finance 8.75% 31/08/2025 equity valued at £452,500.00, R.E.A. Holdings Plc Ordinary 25p equity valued at £3,897.53 and Rea Holdings Preferred valued at £4,211,641.08. ⁹Includes Euronav NV equity valued at £3,733,772.06 and Euronav Luxembourg SA 7.5% 31/05/2022 valued at £601,634.88. ¹⁰Includes Talon Metals Corp valued at £3,583,428.21 and Talon Metals Warrants 18/03/22 valued at £0.17. ¹¹Includes Trevali Mining Corp valued at £2,601,540.51 and Trevali Mining Warrants valued at £50,507.65.

Please note that the Fund's Discount figure has been erroneously shown as the discount value in pence per share, rather than the equivalent percentage discount. Please see the updated Discount figures for the period in question below:

	Jun-21	May-21	Apr-21	Mar-21	Feb-21	Jan-21	Dec-20	Nov-20	Oct-20	Sep-20
Reported Discount	(12.11%)	(3.28%)	(13.62%)	(9.86%)	(10.02%)	(19.36%)	(16.88%)	(19.70%)	(18.85%)	(19.62%)
Updated Discount	(7.02%)	(1.80%)	(8.09%)	(6.48%)	(6.61%)	(13.99%)	(11.98%)	(16.12%)	(17.40%)	(15.45%)
	Aug-20	Jul-20	Jun-20	May-20	Apr-20	Mar-20	Feb-20	Jan-20	Dec-19	
Reported Discount	(19.70%)	(17.71%)	(19.20%)	(17.31%)	(15.48%)	(15.15%)	(21.24%)	(20.81%)	(29.55%)	
Updated Discount	(17.58%)	(16.38%)	(19.49%)	(19.34%)	(18.28%)	(21.92%)	(22.81%)	(20.81%)	(25.53%)	

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L21-445 / 09.21

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