

CQS New City High Yield Fund

KEY FUND FACTS¹

Fund Manager

Ian 'Franco' Francis

Launch Date

October 2004

Total Gross Assets

£266.7m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 51.98p

Mid-Market Price: 54.20p

Yield (estimated)

8.25%

Gearing

12.37%

Premium

4.27%

Ordinary Shares in Issue

449,651,858

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: BILZSS1 GB

Year End

30 June

Contact Information

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Company Broker

N+I Singer

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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

1.47p interim paid 31 August 2021

See *overleaf* for previous Dividend information

Fiscal Year-End

30 June



Ian Francis

Portfolio Manager

Fund Management

Founded in 1999, CQS is a \$21.6bn² 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 Performance³

| | 1 Month (%) | 3 Month (%) | 1 year (%) | 3 Year (%) | 5 Year (%) | 10 Year (%) |
|-------------|-------------|-------------|------------|------------|------------|-------------|
| NAV | 1.27 | 3.21 | 21.43 | 18.07 | 39.74 | 101.73 |
| Share Price | (1.45) | 3.01 | 23.77 | 14.76 | 37.33 | 88.84 |

Investment Commentary⁴

Headline news for the UK economy were very similar to July with the economy losing pace as supply chains faltered further and a lack of available workforce in manufacturing and service industries, most notably in logistics and hospitality sectors, despite the record rise in employment numbers as furloughed workers were brought back into the workforce. Whilst this is a big positive for employment, demand and supply availability need to improve further for this rise in employment to be sustained in the coming quarters. Add to this the inflation seen in wages in many sectors, such as care homes, logistics and hospitality, the current inflation figure as measured by the CPI method looks rather low, coming in at 2.1%. The 'old fashioned' RPI measure comes in at 3.8%, which certainly feels nearer to the reality being felt in an individual's bank account.

Confidence and growth levels in the Euro economy remained at some of the strongest rates seen since the millennium. Despite the worries over the Delta variant, the roll-out of vaccines is really gaining momentum and adding confidence. The service sector growth has beat manufacturing for the first time since the beginning of the pandemic. The demand side of the economy is also remaining among the highest levels for the last couple of decades, as well boosted by the recovering services sector and the ongoing demand for goods. Inflation continues to worry both France and Germany, with input prices being pushed higher by both wage demands and supply constraints. We are very close to the Election of Angela Merkel's replacement and there is an expectation that the future German Chancellor will be as supportive of the EU as their predecessor. Of interest is that populism is starting to appear and just maybe the future generations of German politicians will not be quite as supportive of southern European nations, but this is hopefully further away in the future.

The USA, like the rest of the western world, saw lower growth due to the Delta variant, supply chain delays, and workforce shortages. Of particular note was the slowdown in hiring for new jobs, which was at its lowest since July last year, in part due to not being able to find appropriately qualified staff and also existing members being moved within an organisation. More noticeable was the continued inflation in prices due to the aforementioned lack of staff and supply chain disruptions, many forecasters are pinning their hopes on falling demand to stem the rises seen in recent months. The S&P 500 continued its ascent into even higher levels, having more than doubled from its low of 2,237.4 on the 23rd March 2020 to 4,522.7 at the end of August, which shows the asset price inflation caused by QE. As yet, there is no sign of a taper tantrum as the employment market slows down, with just 235,000 jobs being added in August compared to the average this year of 586,000, pushing expectation of tapering back further.

For the Company, we had 2 bonds called by their issuers, Borealis Finance 7.5% Nov 2022, and Altice Financing 7.5% May 2022. We continued to add to Diversified Energy equity and Mangrove Luxco III 7.7775% Oct 2025, and managed to add some Otiga Group FRN July 2022 below par post some positive results. We also added a small holding in REAT 9.5% June 2024 a sisal and abaca producer.

The company paid its 4th interim dividend of 1.47p/share at the end of the month.

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)

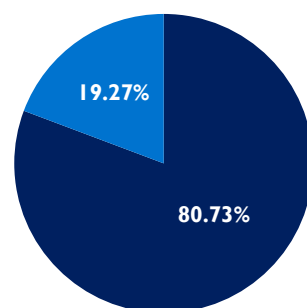
| | Gross Leverage (%) ⁵ | Commitment Leverage(%) ⁶ |
|------------------------------|---------------------------------|-------------------------------------|
| CQS New City High Yield Fund | 113 | 113 |

⁵Source: 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.

⁶Source: 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.

Portfolio Analysis ^{1, 7}

Breakdown by Asset Class



■ Fixed Income
■ Convertibles/Equities/Preference

Top 10 Holdings (%) ^{1, 8}

| Name | (% of NAV) |
|--------------------------------------|--------------|
| VIRGIN MONEY 16-31/12/2049 FRN | 5.95 |
| GALAXY FINCO LTD 9.25% 19-31/07/2027 | 5.18 |
| SHAWBROOK GROUP 17-31/12/2059 FRN | 4.73 |
| ONESAVINGS BANK 17-31/12/2059 FRN | 4.48 |
| BOPARAN FINANCE 7.625% 20-30/11/2025 | 3.95 |
| AGGREGATED MICRO 8% 16-17/10/2036 | 3.83 |
| CO-OPERATIVE FIN 19-25/04/2029 FRN | 3.75 |
| RAVEN RUSSIA 12% 09-31/12/2059 | 3.65 |
| BRACKEN MIDCO 8.875% 18-15/10/2023 | 3.38 |
| JUST GROUP PLC 19-31/12/2059 FRN | 2.94 |
| Top 10 Holdings Represent | 41.85 |

The Company has exposure to 110 issues.
All holdings data are rounded to two decimal places.
Total may differ to sum of constituents due to rounding.

Source: ¹BNP Paribas Securities Services S.C.A., as at 31 August 2021. ²CQS as at 31 August 2021. ³BNP 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. ⁴All 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. ⁸All 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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