

CQS New City High Yield Fund

KEY FUND FACTS¹

Fund Manager

Ian 'Franco' Francis

Launch Date

October 2004

Total Gross Assets

£261.9m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 51.33p

Mid-Market Price: 55.00p

Yield (estimated)

8.13%

Gearing

12.60%

Premium

7.15%

Ordinary Shares in Issue

446,051,858

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

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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 payable 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	0.35	2.53	20.61	16.66	42.12	90.48
Share Price	3.01	4.92	25.60	15.69	41.79	83.93

Investment Commentary⁴

For the UK, growth slowed again as staff and material shortages continued to suppress the supply side of the economy. Whilst demand was stifled by the rapid spread of the Covid-19 Delta variant, the "pingdemic", caused by the NHS App, was having an effect to both sides of the economy as many thousands of delivery drivers and hospitality staff were forced to self-isolate due to being within Bluetooth range of a potential carrier. Inflation continues to rise, hitting 2.5% year-on-year in the month of June; although many may be experiencing a much higher level depending on their spending habits. Currently, consensus seems to indicate that it will reach 4% by the end of the year, if and how fast this falls back to the Bank of England target of 2%, is open to question and a major factor in the longevity of ultra-low interest rates in the UK. One of the major factors will be when the furlough scheme finally ends in September, including just how many of the 1.9 million (as at June-end) have a job to return to being that most of the economy is currently open, and whether or not this has a knock-on effect on the current shortage of supply of labour. Also considering any downward pressure this may have on the current cost of labour. It seems that we could be in for a very testing time in the fourth quarter for both the economy and UK financial markets.

Europe is still in full summer growth mode as the Covid-19 restrictions are further eased, having a large effect on the services of Travel, Hospitality and Tourism. Meanwhile, similar to the UK, Manufacturing is suffering the same negative effects of raw material, energy and wage inflation, which will lead to higher consumer prices in the short to medium-term.

The United States is a couple of months ahead of the UK in terms of economic recovery and it is here that we see the true effect of labour and raw material shortages, with inflation hitting 5.4% annualised in June. It is of particular interest that there are signs that the inflation level is beginning to peak, with both input and output prices slowing down for a second month. Just how far and how fast this falls is key.

For the Company we announced an increased fourth dividend of 1.47 pence per share payable at the end of August.

In the Portfolio, Tizir 9.5% 2022 was called at 101.9, oilflow 12% and Gran Columbia Gold 8.25% continued to amortise. The holding of Just Group 8.125% 2029 was downsized well above par and the holding in the Equity of the same company sold, realising a substantial profit from its original purchase level. We continued to add to the equity position in Diversified Energy offering a prospective yield of 10%, and opened two new positions in Ithaca Energy 9% 2026 at new issue and Mangrove Luxco III 7.775% 2025, a manufacturer of heat exchangers and cooling systems, at a level below par.

We are expecting the latter half of the summer to be quiet with regards to trading volumes in markets, but there are still dangers lurking with regards to politics and the pandemic.

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)

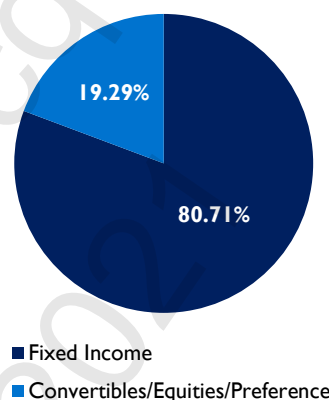
	Gross Leverage (%) ⁵	Commitment Leverage(%) ⁶
CQS New City High Yield Fund	116	116

⁵Source: CQS, as at 30 July 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 July 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	6.05
GALAXY FINCO LTD 9.25% 19-31/07/2027	5.47
SHAWBROOK GROUP 17-31/12/2059 FRN	4.77
ONESAVINGS BANK 17-31/12/2059 FRN	4.53
BOPARAN FINANCE 7.625% 20-30/11/2025	4.00
AGGREGATED MICRO 8% 16-17/10/2036	3.89
CO-OPERATIVE FIN 19-25/04/2029 FRN	3.76
RAVEN RUSSIA 12% 09-31/12/2059	3.76
BRACKEN MIDCO 8.875% 18-15/10/2023	3.44
JUST GROUP PLC 19-31/12/2059 FRN	2.98
Top 10 Holdings Represent	42.64

The Company has exposure to 111 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 30 July 2021. ²CQS as at 30 July 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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PRI Note:

PRI is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMv8.

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