

CQS New City High Yield Fund

KEY FUND FACTS¹

Fund Manager

Ian 'Franco' Francis

Launch Date

October 2004

Total Gross Assets

£276.1m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 53.41p

Mid-Market Price: 55.40p

Yield (estimated)

8.07%

Gearing

11.95%

Premium

3.73%

Ordinary Shares in Issue

455,151,858

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 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 \$21.4bn² 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	2.75	4.41	25.90	21.45	42.95	117.15
Share Price	2.21	3.76	30.33	18.08	40.97	97.14

Investment Commentary⁴

The direction of travel is clear to see when comparing the headline CPI inflation at 3% in August, to the outdated RPI at 4.8% for the same month. All of this will not include the price rises for energy, caused by the shortage of global gas supplies, and the effect it has had on the UK price having moved up by a factor of two over the month, and by five since April. This caused a further ten suppliers to file for administration in the month of September, which will definitely have a knock-on effect to inflation, as householders have to dig deeper into their pockets to fund keeping warm this winter. This too will have a substantial effect on many manufacturing industries as energy costs are a large part of their input prices. This is in addition to the ongoing news that businesses are still in the middle of supply chain disruption caused by other raw material prices, and increased transportation costs due to lack of HGV drivers. Food manufacturers are unable to process pigs and poultry in the main, and are also having to cull their herds as the pigs are too big to process and being sent to landfill; a sad indictment of highly mechanised abattoirs that they can only take animals up to a certain weight. It is becoming quite clear that inflation is heading over 5% in the run up to Christmas, as more and more industries are making headlines talking about the various shortfalls in supply getting worse and not better. It is not helped by the UK prime minister telling logistics companies to pay more for drivers, which potentially moves the problem elsewhere at best, or is likely to stoke inflation further as logistics companies fight for the shrunken pool of qualified drivers. Despite this negative economic news, the FTSE All Share Index only fell from 4109.96 to 4058.96 over the month. Of note, however, was the weakness of Sterling falling from \$1.3755 to \$1.3474, which is a more global view of how the UK is faring.

Europe too was suffering rapidly rising prices and slower economic growth, eroding the confidence that business had been feeling in recent months. Whilst the Eurozone economy was still in growth mode, this looks as if it will weaken in the next few months if the supply chain delays do not abate, and inflation of both wages and raw materials improve markedly.

It is the same story in the US, although their economy was the first to start recovering from the Covid-19 shock inflation, supply chains and labour shortages are still in full swing - albeit the headline inflation figure was down to 5.3% in August from 5.4% in July. Whether or not this abates in the coming month will be exceedingly important to the trajectory of interest rates and stock markets.

For the Company's portfolio, September was a more active month than of late due to companies refinancing debt; such as Euronav, Welltec and Onesavings Bank replacing with lower coupons. Gran Columbia Gold 8.25% was called, as was Sharpes 8%. Just Group 9.375 was tendered well above par. We took new holdings in Ithaca Energy 9% 2026, Stonegate Pubs 8% and Garfunkelux 7 3/4% 2025, and added further to Stonegate 8.25%, Shawbrook 7.875% perpetual, REA Finance 8.75% 2025 and Arrow Bidco 9.5% 2024. We are able to find opportunities in current markets and also view any weakness in high yield markets as an opportunity to invest and diversify the portfolio.

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)

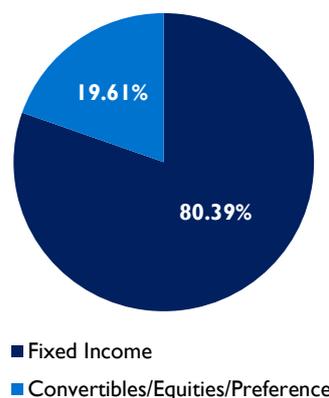
	Gross Leverage (%) ⁵	Commitment Leverage(%) ⁶
CQS New City High Yield Fund	113	113

⁵Source: CQS, as at 30 September 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 September 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	5.72
SHAWBROOK GROUP 17-31/12/2059 FRN	5.25
GALAXY FINCO LTD 9.25% 19-31/07/2027	5.02
ONESAVINGS BANK 17-31/12/2059 FRN	4.36
BOPARAN FINANCE 7.625% 20-30/11/2025	3.81
AGGREGATED MICRO 8% 16-17/10/2036	3.67
RAVEN RUSSIA 12% 09-31/12/2059	3.67
CO-OPERATIVE FIN 19-25/04/2029 FRN	3.66
REA FINANCE 8.75% 15-31/08/2025	3.57
BRACKEN MIDCO 8.875% 18-15/10/2023	3.26
Top 10 Holdings Represent	41.99

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 September 2021. ²CQS as at 30 September 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 is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMv8.

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