

CQS New City High Yield Fund

KEY FUND FACTS¹

Fund Manager

Ian 'Franco' Francis

Launch Date

October 2004

Total Gross Assets

£272.8m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 52.52p

Mid-Market Price: 55.00p

Yield (estimated)

8.13%

Gearing

12.10%

Premium

4.72%

Ordinary Shares in Issue

456,651,858

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

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AGM

December

Dividend Information

2021/22

1.00p interim payable 30 Nov 2021

See overleaf for previous Dividend information

Fiscal Year-End

30 June



Ian Francis

Portfolio Manager

Fund Description

The objective of the CQS New City High Yield Fund is to provide investors with a high dividend yield and the potential for capital growth by investing mainly in high yielding fixed interest securities.

Fund Management

Founded in 1999, CQS is a \$21.5bn² 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	0.21	4.27	25.07	22.65	41.31	110.24
Share Price	1.08	1.82	28.67	19.34	37.79	94.61

Investment Commentary⁴

The UK continued to have a two speed economy in October, with the services industry the most positive beneficiary as the population slowly returns to a more normal way of living and working. This includes more travelling to and from their place of work each week and more of the services associated with this returning to much nearer to pre-February 2020 volumes. Manufacturing however is a much different story, plenty of demand! But the ability to supply is still seriously constrained by a lack of materials and labour. The recent IHS Markit survey showed that 64% of supply chain managers were reporting extended delivery times and high cost-price inflation, which was at its highest level since January 1992. Key to keeping the current inflation short lived is for the global logistics industry to meet the ongoing demand for goods and energy. Clearly consumers have to accept a short term spike in prices, but the duration is the determining factor. Too long and we risk a spiral into higher inflation for longer as wage demands would increase to cover and maybe push ahead of household costs as it did in the 1970s.

In Europe, the slowdown across the board was marked; manufacturing having the same supply chain problems as the UK is experiencing. But the need for extra workers was less per capita than the UK but still at an increasing rate. Overall in the manufacturing sector input price increases were at record levels. The ability of businesses to pass this on was surprisingly high resulting in the selling price inflation reaching the most rapid in almost two decades. The service sector saw the strength of the summer season fade as resurgent virus case numbers brought caution back to tourism, travel and recreation sectors. Overall sentiment was back to its lowest level since February, slightly better in services but at its lowest level for a year in manufacturing. None of this is being helped by the large price increases and supply constraints in natural gas coming from Russia. Not forgetting the French Presidential elections coming in six months' time which will definitely have an impact on the way forward for Europe.

The United States economy accelerated to a three-month high, mostly led by the service sector which had its strongest month for a quarter. This was in spite of the manufacturing sector having posted a fifteen-month low which like Europe and the UK was suffering from supply chain delays and labour shortages forcing employers to offer inflation busting rises to existing workers and to attract new staff. The obvious knock on effect being a record rise in the backlog of work in the system. The net result is a large rise in factory gate prices and overall inflation is rampant and looks to be going above the 6% level in October. This is putting more pressure on the Federal reserve to raise interest rates.

For the company the shares went XD 1p/share to be paid at the end of November

In the portfolio OneSavings bank called its 9.125% perpetual bond, as did Welltec with their 9.5% 2022 bond. We replaced these with a basket of bonds including Arrow Bidco 9.5% 2024, Stonegate Pubs 8% 2025, Inspired Entertainment 7.875% 2026, N0r5ke Viking FRN 2024 and Greenfood FRN 2022. We will be adding to the equity element of the portfolio as an insurance policy against inflation which is looking to be more than transitory in our view.

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
2020/21	Total	4.47p

Investor Report
Monthly Factsheet

Annual Report & Accounts
Published October

AIFMD Leverage Limit Report (% NAV)

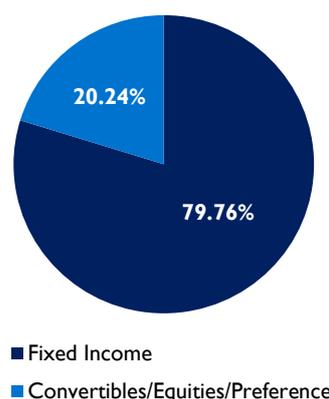
	Gross Leverage (%) ⁵	Commitment Leverage(%) ⁶
CQS New City High Yield Fund	113	113

⁵Source: CQS, as at 29 October 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 29 October 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	5.80
SHAWBROOK GROUP 17-31/12/2059 FRN	5.52
GALAXY FINCO LTD 9.25% 19-31/07/2027	5.08
RAVEN RUSSIA 12% 09-31/12/2059	3.78
AGGREGATED MICRO 8% 16-17/10/2036	3.74
BOPARAN FINANCE 7.625% 20-30/11/2025	3.69
REA FINANCE 8.75% 15-31/08/2025	3.69
CO-OPERATIVE FIN 19-25/04/2029 FRN	3.59
DIVERSIFIED ENERGY CO PLC	3.23
BRACKEN MIDCO 8.875% 18-15/10/2023	3.18
Top 10 Holdings Represent	41.29

The Company has exposure to 106 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 29 October 2021. ²CQS as at 29 October 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. GMv9.

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