December 2021

# CQS New City High Yield Fund

## KEY FUND FACTS[1]

**Fund Manager**
Ian 'Franco' Francis

**Launch Date**
October 2004

**Total Gross Assets**
£278.5m

**Reference Currency**
GBP

**Ordinary Shares**
Net Asset Value: 52.95p
Mid-Market Price: 55.40p

**Yield (estimated)**
8.07%

**Gearing**
11.85%

**Premium**
4.63%

**Ordinary Shares in Issue**
463,651,858

**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:** B1LZS51 GB

**Year End**
30 June

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**Company Broker**
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**AGM**
December

**Dividend Information**

**2021/22**

1.00p interim paid 30 Nov 2021

1.00p interim payable 25 February 2022

*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 $21.6bn[2] 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 Performance[3]

| | 1 Month (%) | 3 Month (%) | 1 year (%) | 3 Year (%) | 5 Year (%) | 10 Year (%) |
|---|---|---|---|---|---|---|
| NAV | 0.46 | 1.03 | 18.14 | 27.82 | 39.24 | 114.14 |
| Share Price | 1.84 | 1.82 | 15.64 | 26.20 | 39.39 | 104.70 |

## Investment Commentary[4]

The Bank of England raised rates by 15bp to 0.25%. Whilst this is a signal that they are worried over inflation, it is not enough to have any major economic effect and to have an impact they will need to raise it again and by a larger amount. Inflation continues to run to yet higher levels and with raw material prices, food and beverage, wages and particularly fuel costs increasing the pressure on the average family budget in the coming months, it is going to be the greatest we have seen for many years. The economy took a sharp slowdown in growth particularly in the travel, restaurant and pub sectors as the Omicron variant of Covid-19 took hold, causing many to cancel holidays and Christmas parties. This was definitely very bad news for the restaurant and pub sectors as it is at this time in the year when they expect to achieve peak revenues. Meanwhile the manufacturing sector continued to be constrained by staff and raw material shortages but the positive news was overall production was at a four month high and early signs the problems in supply chains had started to stabilise.

In Europe, growth slowed further to a nine-month low with the service sector being hit hard by the new Omicron variant, although manufacturing did see improved growth as constrained supply chains improved. Both input and output prices continued their sharp rise but not quite as rapidly as November. Germany in particular was impacted, with the overall economy appearing to stall for the first time since the first wave of the pandemic. The major positive to be taken from the month was the improvement in supply chains for most industries. Whilst the inflation rate appears to be reaching a peak, a lot will depend on how much workers push for increased pay over the coming months given that their personal budgets are being squeezed, particularly in domestic energy costs in northern Europe. It is quite possible that inflation will reach levels not seen in the last 20 years. We also have the French Presidential elections in early April which may have a bearing on the direction of travel in Europe and, of course, the relationship with the United Kingdom…

The US economy showed reasonable resilience to the Omicron variant with the manufacturing sector actually expanding on the month. This was partially put down to improving supply chains and the filling of some of the job vacancies along with falling raw material prices. However, the service sector was suffering from inflation on three fronts; wage costs, energy prices and transport costs. Despite all of these factors, the sector was still growing strongly but not as fast as in the previous two months. Private sector companies recorded the highest degree of confidence for the 12-month outlook in output for just over a year in December. Optimism stemmed from hopes of further upticks in client demand and that the impact of the Omicron variant is less severe than prior virus waves. Extremely important for the economy and markets in 2022 was the comments from the Chairman of the Federal Reserve Bank mid-month. He said that the Fed will quicken the pace at which it is pulling back its support for the post pandemic US economy as inflation surges, and that the Fed expects to raise interest rates three times in 2022. This wasn't unexpected but will focus investors' minds as they enter the new year and may bring a touch of reality to frothy markets.

For the Company's portfolio, it was a slightly busier month, due to the calling of the Algeco 10%2023 bond above par. The released funds were redistributed between Hawk 10.5% 2024, AMPIL 8% 2036, Stonegate 8.25% 2025 and Inspired Entertainment 7.875% 2026. We also added to M&G and Phoenix Assurance ordinary shares. There were 7 million new ordinary shares issued during the month.



Source: CQS. Please refer to page 2 for sources relating to relevant footnotes.

## 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

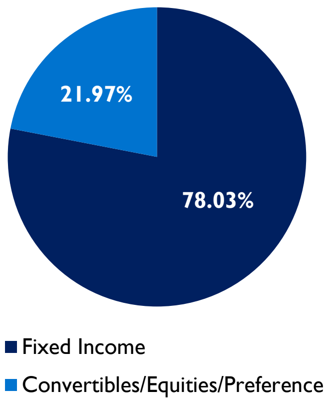
## AIFMD Leverage Limit Report (% NAV)

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

[5]Source: CQS, as at 31 December 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.
[6]Source: CQS, as at 31 December 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 | 5.47 |
| SHAWBROOK GROUP 17-31/12/2059 FRN | 5.40 |
| GALAXY FINCO LTD 9.25% 19-31/07/2027 | 5.02 |
| AGGREGATED MICRO 8% 16-17/10/2036 | 3.87 |
| CO-OPERATIVE FIN 19-25/04/2029 FRN | 3.57 |
| RAVEN RUSSIA 12% 09-31/12/2059 | 3.54 |
| REA FINANCE 8.75% 15-31/08/2025 | 3.50 |
| STONEGATE PUB 8.25% 20-31/07/2025 | 3.47 |
| BOPARAN FINANCE 7.625% 20-30/11/2025 | 3.47 |
| DIVERSIFIED ENERGY CO PLC | 2.86 |
| **Top 10 Holdings Represent** | **40.17** |

*The Company has exposure to 108 issues.*
*All holdings data are rounded to two decimal places.*
*Total may differ to sum of constituents due to rounding.*

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