

CQS New City High Yield Fund

KEY FUND FACTS¹

Fund Manager

Ian 'Franco' Francis

Launch Date

October 2004

Total Gross Assets

£276.4m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 52.36p

Mid-Market Price: 55.40p

Yield (estimated)

8.07%

Gearing

11.94%

Premium

5.81%

Ordinary Shares in Issue

464,751,858

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

Singer Capital Markets

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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 Management

Founded in 1999, CQS is a \$21.1bn² 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	0.77	1.59	16.66	27.43	37.60	108.19
Share Price	1.80	2.54	17.71	25.77	35.58	101.67

Investment Commentary⁴

January saw the UK suffering a further slowdown in the economy. For the third month in a row, the service sector cooled, with leisure, travel and hospitality all suffering from the latest Omicron restrictions. However, on a positive note, sustained growth in the financial services and business sectors proved far more resilient. The manufacturing sector had a far better month as the availability of materials improved, allowing for the largest rise in levels of production for five months. Still in the background, however, was the overall supply shortage and the shortage of staff due to the Omicron variant, which has been much publicised over the recovery thus far. As for Inflation, input cost inflation was still accelerating at its second fastest rate since the survey began 24 years ago, only topped by November 2021. CPI was at 5.4% in December, up from 5.1% in November, with the more realistic RPI at 7.5% up from 7.1%; all of this before the future rise in domestic fuel prices, which will be having a major negative effect on all household budgets shortly. On a positive note, the Plan B restrictions for Covid ceased on the 26th of January, therefore we hope to see more positive feedback from the economy in February.

Alongside the fundamentals of the economy, two major political events were happening; one being the 'Party-gate' and media-fest over parties in Number 10 when the rest of the UK was in lockdown. This surprisingly had less effect than you could expect on pressure for a Prime minister to resign. Secondly, and more worrying, is the Russian sabre rattling on the borders of Ukraine, a situation that has not been seen in Europe since the end of the Cold War. One waits in trepidation as to how this pans out...

In Europe, the service sector was particularly hard hit with the Omicron wave, although it is looking less severe than previous variants, meanwhile manufacturing benefitted from an improving supply chain and marginally moderating raw material input prices. Despite this, increasing wages and energy costs kept inflation at higher levels. With regards to the European Central Bank, it is well behind both the US Federal Reserve and the Bank of England in terms of raising interest rates, with no increase forecast until the fourth quarter. This indicates that they are very concerned about the fragility of the recovery in the Eurozone, and are less concerned about inflation than other western central banks.

The United States was the source of a month of weakness and volatility across all markets as inflation became a political hot topic. This, and the Ukraine crisis, had the S&P 500 index fall over (10.0%) before recovering at the end of the month to be (5.3%) down. Therefore, this January was the worst January since the Global financial crisis in 2009 and also the biggest monthly fall since March 2020 at the onset of the Covid-19 pandemic. Of particular note was the fall in the tech-focused NASDAQ index of (9.0%) as the fear of higher interest rates hit growth companies. In the real economy, Omicron was having what seemed to be a greater impact than elsewhere in the West, with the economy at a near standstill at the beginning of the year, supply chains lengthening and staff shortages not improving. Looking forward, overall recovery is continuing and inflation needs to be contained.

For the Company, we declared a dividend of 1p/share, which went XD at the end of the month to be paid at the end of February. With no major holdings called this month, we deployed the cash raised from the issuance of shares into Stonegate 8.25% 2025, Mangrove Luxco III 7.775% 2025, and Aggreko 8.75% 2027, along with opening a small holding in Travelodge 9% 2025.

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)

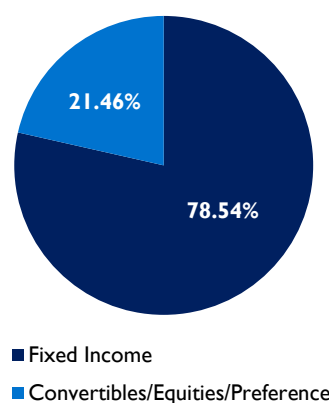
	Gross Leverage (%) ⁵	Commitment Leverage(%) ⁶
CQS New City High Yield Fund	115	115

⁵Source: CQS, as at 31 January 2022. 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 January 2022. 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, 7}

Name	(% of NAV)
CYBG PLC 16-31/12/2049 FRN	5.51
SHAWBROOK GROUP 17-31/12/2059 FRN	5.49
GALAXY FINCO LTD 9.25% 19-31/07/2027	5.07
AGGREGATED MICRO 8% 16-17/10/2036	3.93
STONEGATE PUB 8.25% 20-31/07/2025	3.87
CO-OPERATIVE FIN 19-25/04/2029 FRN	3.64
REA FINANCE 8.75% 15-31/08/2025	3.56
BOPARAN FINANCE 7.625% 20-30/11/2025	3.52
RAVEN RUSSIA 12% 09-31/12/2059	3.28
MANGROVE LUXCO 7.775% 19-09/10/2025	2.98
Top 10 Holdings Represent	40.86

The Company has exposure to 90 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 January 2022. ²CQS as at 31 January 2022. 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. ⁷All 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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