

# CQS Natural Resources Growth and Income

## KEY FUND FACTS<sup>1</sup>

### Fund Managers

Ian 'Franco' Francis  
Keith Watson  
Robert Crayford

### Launch Date

August 2003

### Total Gross Assets

£178.38m

### Reference Currency

GBP

### Ordinary Shares

Net Asset Value: 236.79p  
Mid-Market Price: 210.00p

### Yield (estimated)

2.7%

### Gearing

11.2%

### Discount

(11.31%)

### Ordinary Shares in Issue

66,888,509

### Annual Management Fee

1.2% on adjusted net assets

### Bloomberg: CYN LN

Reuters: CYN.L

Sedol: 0035392

### Year End

30 June

### Contact Information

contactncim@cqsm.com

### Company Broker

FinnCap  
+44 (0) 203 772 4697

### AGM

December

### Dividend Information

#### 2021/22

1.26p interim paid 30 Nov 2021

1.26p interim paid 25 February 2022

1.26p interim dividend paid 27 May 2022

See *overleaf* for previous Dividend information

### Fiscal Year-End

30 June

## Fund Description

The investment objective is to provide shareholders with capital growth and income predominantly from a portfolio of mining and resource equities, and of mining, resource and industrial fixed interest securities.

### Ian Francis, Keith Watson and Robert Crayford (L to R)

Portfolio Managers CQS Natural Resources Growth and Income



## Fund Management

Founded in 1999, CQS is a \$19.0bn<sup>2</sup> global multi-strategy asset management firm. The Fund is managed by Ian 'Franco' Francis, Keith Watson and Robert Crayford. Supported by the CQS credit analyst team.

## Ordinary Share and NAV Performance<sup>1</sup>

	1 Month (%)	3 Month (%)	6 Month (%)	1 year (%)	3 Year (%)	5 Year (%)	Since Inception
NAV	0.7	14.7	26.7	34.5	146.9	120.2	678.3
Share Price	(4.1)	22.7	36.2	21.9	190.9	144.2	662.3
Benchmark	(0.4)	15.1	33.4	24.7	90.8	129.0	694.7

## Investment Commentary<sup>3</sup>

The Fund NAV registered a small 0.7% gain during the month, with exposure to energy offsetting softness elsewhere. The ongoing energy crisis continued to support energy commodities, with Brent and WTI prices rising over 14% and 9% respectively. Regional gas prices showed some differential performance. As the EIA reported, US gas (Henry Hub) export prices continued upwards and, despite consolidating towards the month-end, the benchmark price ended May up around 7%. US exports helped ease extremely tight energy markets elsewhere, particularly in Europe, which is attempting to substitute Russian supply and has been the destination for three quarters of US export volumes in the first four months of the year. As a result, European and seaborne Asian prices eased back. Seaborne thermal coal prices also remained strong. Shrugging off news that China was tentatively easing border restrictions on important coal trade routes from Mongolia, Australian benchmark price (CIF China) rose nearly 40%, while European and South African prices gained between 20-25%.

In contrast, copper and iron ore closed the month flat, as China announced measures to soften the sharp slowdown in the property markets, as well as concerns over wider Covid-related demand slowdown. Steel input nickel ended May 9% lower, continuing its retreat from the huge, short squeeze experienced earlier in the year. Comments from Russia's Norilsk Nickel, reiterating unchanged production guidance and highlighting uninterrupted exports, weighed. Sentiment towards precious metals appeared pressured by expectations of more hawkish commentary from FOMC minutes, and gold ended May modestly lower.

Supply response across commodity markets remains very limited, suggesting the current price momentum can continue. Companies instead remain focused on dividends and share buy backs. The combination of shareholder pressure to meet environmental targets, and relatively attractive stock valuations, mean buy backs offer comparable returns to new investment with arguably lower risk. As highlighted by the UK's announced windfall tax for North Sea energy producers, tax and regulatory uncertainties are also acting to discourage new investment, while rising input costs for materials and labour are raising project development risks. This corporate return focused strategy remains somewhat virtuous, supporting commodity prices and boosting returns for respective producers, whilst also countering rising input costs. With this backdrop, the primary mechanism to balance commodity supply shortages appears to be demand destruction.

This dynamic is a key reason for the shift in portfolio composition that has been undertaken over the last 18 months. There has been a considerable increase in the energy weighting, which also happens to be a less discretionary proportion of spending. There has been a corresponding reduction in exposure to industrial metal miners, despite their positive medium-term potential. Oil and gas fundamentals continue to look very attractive, even after the strong price rally. Conditions are likely to remain tight for longer than expected due to Russian production declines, the EU's Russian oil embargo and the reopening of China post recent Covid lockdowns. Although China's zero Covid Policy presents a short-term risk for broader demand trends, reported stimulus is more encouraging, pointing to a renewed refocus on economic growth.

**KEY FUND FACTS** *(continued)*

**Dividend Information** *(continued)*

2012/13	Total	5.50p
2013/14	Total	5.60p
2014/15	Total	5.60p
2015/16	Total	5.60p
2016/17	Total	5.60p
2017/18	Total	5.60p
2018/19	Total	5.60p
2019/20	Total	5.60p
2020/21	Total	5.60p

**Investor Report**  
Monthly Factsheet

**Annual Report & Accounts**  
Published: October

**Results Announced**  
Finals: October  
Interims: March

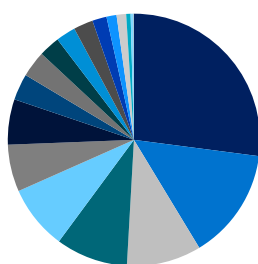
Pressure on consumers globally is intensifying, in large part due to elevated energy costs. For example, consumers are not only being required to absorb higher crude costs, but also much higher refinery margins, which is currently adding the equivalent of \$50/bbl to the \$120/bbl headline oil price for products. Inflation is now the number one concern in western economies and to tame it, central banks will need to tighten policy, even if this means slowing growth.

The Fund's largest positioning is now Precision drilling, a US shale drilling rig company, offering operational and financial gearing into a stronger energy market. Gold miner Firefinch confirmed the spin out of its lithium assets into Leo Lithium, which will begin trading later in June. During the month, the Fund also added to its position in coal producer, Peabody. Another notable purchase was an opportunistic equity re-financing by gold producer Pure Gold, in which the Fund has previously been invested. There have been some profits on Sigma Lithium in Brazil following strong performance, although we still see strong catalysts into 2023 as they ramp-up production. The Fund's gearing was notably reduced earlier in the year, with the intention of adding flexibility ahead of potential period of heightened volatility.

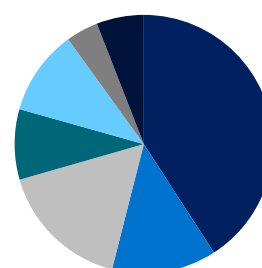
**Portfolio Analysis<sup>1</sup>**

**Sector**

**Region**



Oil & Gas	27.1%	Gold	14.3%
Shipping	9.6%	Copper	9.2%
Lithium	8.2%	Uranium	6.0%
Coal	5.8%	Palm Oil	3.4%
Rare Earth	3.4%	Nickel	2.7%
Silver	2.5%	Base metals	2.5%
Zinc	1.8%	Platinum	1.3%
Fixed Interest Securities	1.2%	Mineral Sands	0.6%
Iron	0.4%	Agriculture	0.1%



North America	40.9%
Latam	13.1%
Australia	16.6%
Africa	8.8%
Global	10.7%
Europe	4.0%
Asia	5.9%

**AIFMD Leverage Limit Report (% NAV)**

	Gross Leverage (%) <sup>4</sup>	Commitment Leverage(%) <sup>5</sup>
CQS Natural Resources Growth and Income	108	108

<sup>4</sup>Source: CQS, as at 31 May 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.

<sup>5</sup>Source: CQS, as at 31 May 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.

**TOP 20 HOLDINGS (%)<sup>1, 6</sup>**

Name	(% of MV)
Precision Drilling	7.5
Sigma Lithium Resources	5.3
West African Resources	5.2
Diamondback Energy	4.8
Nexgen Energy	4.5
BW LPG	4.1
Vermilion Energy	3.6
Euronav Luxembourg <sup>7</sup>	3.5
R E A Holdings <sup>8</sup>	3.5
Lynas Rare Earths	3.4
<b>Top 10 Holdings Represent</b>	<b>45.4</b>
Firefinch Resources	2.7
Diversified Energy	2.7
Talon Metals	2.7
Ero Copper	2.5
Emerald Resources	2.3
EOG Resources	2.2
First Quantum Minerals <sup>9</sup>	2.2
Foran Mining	2.2
Transocean	1.8
Thungela Resources	1.5
<b>Top 20 Holdings Represent</b>	<b>68.2</b>
<i>The Company has exposure to 121 issues.</i>	

**IMPORTANT INFORMATION:**

Source: <sup>1</sup>CQS, as at 31 May 2022. <sup>2</sup>Total return performance as at 31 May 2022. The Company's investment benchmark is 80 per cent. Euromoney Global Mining Index (sterling adjusted) and 20 per cent Credit Suisse High Yield Index (sterling adjusted). Performance data is calculated from 1 August 2003 (total return basis). <sup>3</sup>All market data sourced from Bloomberg unless otherwise stated. All returns quoted in local currency unless otherwise stated. The Company may since have exited some or all of the positions detailed in the commentary. All returns quoted in local currency unless otherwise stated. The Company may since have exited some or all of the positions detailed in the commentary. <sup>4</sup>All holdings data are rounded to one decimal place. Totals may therefore differ to sum of constituents. 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. <sup>7</sup>Includes Euronav NV equity valued at £5,402,790.02 and Euronav Luxembourg 6.25% 14/09/26 Usd valued at £464,175.20. <sup>8</sup>Includes Rea Finance 8.75% 31/08/2025 equity valued at £494,755.00, R.E.A. Holdings Plc Ordinary 25p equity valued at £52,650.00 and Rea Holdings Preferred valued at £5,270,708.72. <sup>9</sup>Includes First Quantum Minerals equity valued at £2,863,351.21 and First Quantum Minerals 7.5% 01/04/2025 equity valued at £804,619.93.

This document has been issued by CQS (UK) LLP which is authorised and regulated by the UK Financial Conduct Authority, CQS (US), LLC which is a registered investment adviser with the US Securities and Exchange Commission, and/or CQS (Hong Kong) Limited, which is authorised and regulated by the Hong Kong Securities and Futures Commission. The term "CQS" as used herein may include one or more of CQS (UK) LLP, CQS (US), LLC, and CQS (Hong Kong) Limited or any other affiliated entity. The information is intended solely for sophisticated investors who are (a) professional investors as defined in Article 4 of the European Directive 2011/61/EU or (b) accredited investors (within the meaning given to such term in Regulation D under the U.S. Securities Act of 1933, as amended) and qualified purchasers (within the meaning given to such term in Section 2(a)(51) of the U.S Investment Company Act 1940, as amended). This document is not intended for distribution to, or use by, the public or any person or entity in any jurisdiction where such use is prohibited by law or regulation.

This document is a marketing communication prepared for general information purposes only and has not been delivered for registration in any jurisdiction nor has its content been reviewed by any regulatory authority in any jurisdiction. The information contained herein does not constitute: (i) a binding legal agreement; (ii) legal, regulatory, tax, accounting or other advice; (iii) an offer, recommendation or solicitation to buy or sell shares or interests in any fund or investment vehicle managed or advised by CQS (a "CQS Fund") or any other security, commodity, financial instrument, or derivative; or (iv) an offer to enter into any other transaction whatsoever (each a "Transaction"). Any decision to enter into a Transaction should be based on your own independent investigation of the Transaction and appraisal of the risks, benefits and appropriateness of such Transaction in light of your circumstances. Any decision to enter into any Transaction should be based on the terms described in the relevant offering memorandum, prospectus or similar offering document, subscription document, key investor information document (where applicable), and constitutional documents and/or any other relevant document as appropriate (together, the "Offering Documents"). Any Transaction will be subject to the terms set out in the Offering Documents and all applicable laws and regulations. The Offering Documents supersede this

document and any information contained herein. The Offering Documents for CQS UCITS range of funds is available here ([www.cqs.com/what-we-do/ucits#global-convertibles](http://www.cqs.com/what-we-do/ucits#global-convertibles)) in English (US persons will not be eligible to invest in CQS managed UCITS funds save to the extent set out in the relevant Offering Document). A copy of CQS' Complaints Policy, which sets out a summary of investors' rights, is available here ([www.cqs.com/site-services/regulatory-disclosures](http://www.cqs.com/site-services/regulatory-disclosures)) in English. CQS may terminate the arrangements for marketing or distribution of any CQS Fund at any time.

Nothing contained herein shall give rise to a partnership, joint venture or any fiduciary or equitable duties. The information contained herein is provided on a non-reliance basis, not warranted as to completeness or accuracy, and is subject to change without notice. Any information contained herein relating to any non-affiliated third party is the sole responsibility of such third party and has not been independently verified by CQS. The accuracy of data from third-party vendors is not guaranteed. If such information is not accurate, some of the conclusions reached or statements made may be adversely affected. CQS is not liable for any decisions made or action taken by you or others based on the contents of this document and neither CQS nor any of its directors, officers, employees or representatives accept any liability whatsoever for any errors or omissions or any loss howsoever arising from the use of this document.

Information contained in this document should not be viewed as indicative of future results as past performance of any Transaction is not indicative of future results. Any investment in a CQS Fund or any of its affiliates involves a high degree of risk, including the risk of loss of the entire amount invested. The value of investments can go down as well as up. Future performance is subject to taxation which depends on the personal situation of each investor and which may change in the future. Investments may lead to a financial loss if no guarantee on the capital is in place. An investment in any CQS Fund will involve a number of material risks which include, without limitation, risks associated with adverse market developments, currency and exchange rate risks, risk of counterparty or issuer default, and risk of illiquidity. Any assumptions, assessments, targets (including target returns and volatility targets), statements or other such views expressed herein (collectively "Statements") regarding future events and circumstances or that are forward looking in nature constitute CQS' subjective views or beliefs and involve inherent risk and uncertainties beyond CQS' control. Any indices included in this document are for illustrative purposes only and are not representative of CQS Funds in terms of either composition or risk (including volatility and other risk related factors). Unless stated to the contrary CQS Funds are not managed to a specific index.

The information contained herein is confidential and may be legally privileged and is intended for the exclusive use of the intended recipient(s) to which the document has been provided. In accepting receipt of the information transmitted you agree that you and/or your affiliates, partners, directors, officers and employees, as applicable, will keep all information strictly confidential. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information is prohibited. Any distribution or reproduction of this document is not authorized and prohibited without the express written consent of CQS, or any of its affiliates. Unless otherwise stated to the contrary herein, CQS owns all intellectual property rights in this document. CQS is a founder of the Standards Board for Alternative Investments ("SBAI") which was formed to act as custodian of the alternative investment managers' industry best practice standards (the "Standards"). By applying the Standards, managers commit to adopt the "comply or explain" approach described in the Standards. CQS is a signatory of the UN Principles for Responsible Investment and a supporter and participant of certain other responsible investment related industry associations.

PRI Note: PRI is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMv9.

L22-221 / 06.22

**CQS (UK) LLP**

4th Floor, One Strand, London WC2N 5HR, United Kingdom  
T: +44 (0) 20 7201 6900 | F: +44 (0) 20 7201 1200

**CQS (US), LLC**

152 West 57th Street, 40th Floor, New York, NY 10019, US  
T: +1 212 259 2900 | F: +1 212 259 2699

**CQS (Hong Kong) Limited**

1308 One Exchange Square, 8 Connaught Place, Central, Hong Kong, China  
T: +852 3920 8600 | F: +852 2521 3189

Signatory of:

