

CQS Natural Resources Growth and Income

KEY FUND FACTS¹

Fund Managers

Ian 'Franco' Francis
Keith Watson
Robert Crayfourd

Launch Date

August 2003

Total Gross Assets

£152.13m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 202.02p
Mid-Market Price: 176.25p

Yield (estimated)

3.2%

Gearing

11.2%

Discount

(12.76%)

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

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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 Crayfourd (L to R)

Portfolio Managers CQS Natural Resources Growth and Income



Fund Management

Founded in 1999, CQS is a \$17.7bn¹ global multi-strategy asset management firm. The Fund is managed by Ian 'Franco' Francis, Keith Watson and Robert Crayfourd. Supported by the CQS credit analyst team.

Ordinary Share and NAV Performance²

	1 Month (%)	3 Month (%)	6 Month (%)	1 year (%)	3 Year (%)	5 Year (%)	Since Inception
NAV	(14.7%)	(14.6%)	4.7%	20.6%	97.1%	90.1%	564.1%
Share Price	(17.1%)	(14.1%)	14.0%	14.7%	128.6%	107.8%	532.2%
Benchmark	(21.5%)	(18.3%)	0.8%	1.0%	36.4%	80.6%	524.0%

Investment Commentary³

A synchronised sell-off affected most asset classes into the half year-end as high inflation and the resultant expectations for higher, and faster paced, rate tightening weighed on investor risk appetite. Commodities were more affected given the accompanying strength of the dollar reference currency. The combination of inflation induced demand slow down, signs of worsening trends in China's property markets - as the impact of Covid-19 lockdowns take their toll - together with the outlook for faster interest rate rises was felt most acutely among industrial metals. Iron ore and copper prices both lost around 13% over the month while steel input nickel lost nearly 20%. Energy registered relatively modest declines, with crude and thermal coal losing between 6-8%. Prices in the extremely tight gas market saw significant regional divergence as a fire at a key US LNG export terminal removed substantial supply destined for Europe. This caused near-dated European prices to jump 60%, while the consequent build-up of product in the US saw the Henry Hub benchmark price drop over 30%. Safe-haven gold fared relatively well slipping just 1.6%.

Equities were weak across the board. Despite the relatively modest gold price slide, related equities fell substantially with large and small-cap gold mining ETFs losing 14% and 18% respectively. Against a backdrop of stubbornly high inflation and with elevated economic and geopolitical risks, the performance of gold equities was disappointing but indicative of the market's knee-jerk sensitivity to US rates. US oil and gas equities also saw significant losses with the US E&P ETF declining 23%, more than offsetting prior month gains. However, copper mining equities were most notably impacted, with stocks such as ERO and First Quantum shares falling 30-35%.

Against the weak backdrop, the Fund NAV declined 14.7%. Despite widespread selling pressure, the relative performance of many larger positions held in the Fund helped mitigate the broad weakness. Though suffering a decline of 15%, Precision Drilling fell considerably less than oil sector peers. Elsewhere, Sigma Lithium closed the month 5.5% lower and gold producer West African Resource lost 7%. In addition, Sterling's 3% softening against the US dollar during the month also helped soften the widespread market weakness.

(continued on next page)

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

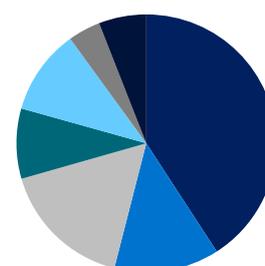
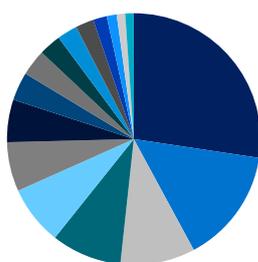
Results Announced
Finals: October
Interims: March

Energy markets remain extremely tight as illustrated by comments from OPEC Secretary, General Mohammad Barkindo, who stated that production from all but two to three members is running at maximum capacity. This was corroborated by the reported data for the cartel, which showed only a 10kbpd collective increase in production, a miss of more than 400kbpd against the group’s stated output objective. With limited supply response across the board, the energy sector remains a preferred exposure for the Fund. Many energy producers still appear to discount a “normalisation” in prices back towards pre-Covid levels, which is too optimistic. Energy prices may stay much higher than discounted for a longer period of time and act as a drag on broader consumer demand and demand for industrial materials. As a result, despite the significant correction in base metal miners, further short-term weakness remains probable, potentially amplified by destocking. For this reason, Fund exposure remains tilted towards the energy sector in which companies remain focussed on shareholder returns. Having reduced gearing substantially last year, the Fund remains well placed to take advantage of opportunities should they arise.

Portfolio Analysis¹

Sector

Region



AIFMD Leverage Limit Report (% NAV)

	Gross Leverage (%) ⁴	Commitment Leverage(%) ⁵
CQS Natural Resources Growth and Income	109	109

⁴Source: CQS, as at 30 June 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.

⁵Source: CQS, as at 30 June 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 (%)^{1, 6}

Name	(% of MV)
Precision Drilling	7.3%
West African Resources	5.5%
Sigma Lithium Resources	5.1%
Diamondback Energy	4.5%
BW LPG	4.3%
Nexgen Energy	4.0%
R E A Holdings ⁷	3.8%
Vermilion Energy	3.7%
Lynas Rare Earths	3.4%
Euronav Luxembourg ⁸	3.3%
Top 10 Holdings Represent	44.9%
Talon Metals	2.8%
Diversified Energy	2.8%
Foran Mining	2.4%
Emerald Resources	2.2%
EOG Resources	2.2%
Ero Copper	2.0%
Transocean First	1.8%
Thungela Resources	1.6%
Peabody Energy	1.6%
Galena Mining	1.5%
Top 20 Holdings Represent	65.8%
<i>The Company has exposure to 103 issues.</i>	

IMPORTANT INFORMATION:

Source: ¹CQS, as at 30 June 2022. ²Total return performance net of fees and expenses as at 30 June 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). ³All 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. ⁴All 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. ⁷Includes Rea Finance 8.75% 31/08/2025 at £5,024,414, R.E.A. Holdings Plc Ordinary 25p at £495,530 and Rea Holdings Preferred at £47,590. ⁸Includes Euronav NPV at £4,429,353 and Euronav Luxembourg 6.25% 14/09/26 Usd at £474,289.

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PRI Note: PRI is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMv10.

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