

Investor Report

31 May 2024

CQS Natural Resources Growth and Income Fund

Key Fund Facts¹

Fund Managers	Ian 'Franco' Francis Keith Watson Robert Crayfourd
Launch Date	August 2003
Total Gross Assets	£167.7m
Reference Currency	GBP
Ordinary Shares	Net Asset Value: 226.84p Mid-Market Price: 201.00p
Dividend Yield (estimated)	3.4%
Net gearing ⁴	8.3%
Discount	(11.4%)
Ordinary Shares in Issue	66,440,509
Annual Management Fee	1.2% p.a. on net assets up to £150 million 1.1% p.a. on net assets over £150 million and up to £200 million 1.0% p.a. on net assets over £200 million and up to £250 million 0.9% p.a. on net assets greater than £250 million
Bloomberg	CYN LN
Reuters	CYN.L
Sedol	0035392
Year End	30 June
Contact Information	CQSClientServices@cqsm.com
Company Broker	Cavendish Capital Markets Limited 020 7220 0500
AGM	December
Dividend Information 2023/24	1.26p interim paid 27 November 2023 1.26p interim paid 23 February 2024 1.26p interim paid 28 May 2024
Fiscal Year-End	30 June
Previous Dividend Information	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 2021/22 Total 5.60p 2022/23 Total 8.60p
Investor Report	Monthly Factsheet
Annual Report & Accounts	Published: October
Results Announced	Finals: October Interims: March

Please see page 2 for footnotes.



Portfolio Managers

Ian Francis, Keith Watson and Robert Crayfourd

Fund Description

The Fund aims to generate capital growth and income, predominantly from a portfolio of mining and resource equities, and from mining, resource and industrial fixed interest securities.

Key Advantages for the Investor

- Access to under-researched, mid and smaller-cap companies in the Natural Resources sector
- Quarterly dividend paid to shareholders
- Potential inflation hedge

Ordinary Share and NAV Performance²

	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Year (%)	5 Year (%)	Since Inception (%)
NAV	6.2	22.7	15.0	22.0	37.9	153.0	697.7
Share Price	6.5	30.5	11.7	17.6	23.1	193.8	669.8

Commentary³

The Fund's NAV increased by 6.2% over the month. This was supported by gains in both shipping and precious metal mining stocks as well as a 2.5% softening in sterling versus the dollar. This came after the US Federal Reserve held rates flat and maintained a more hawkish tone on the outlook for future rate adjustments.

Sector news flow was dominated by BHP's failed bid for Anglo American. Although it does not impact our names directly, it does highlight the growing appetite for mergers and acquisitions in the copper sector. While the copper price was little changed on the month, we believe the metal remains in favour. Equity momentum benefitted from continuing generalist fund allocations, with the COPX ETF gaining 5% in May.

However, some caution is warranted towards the sector in the near term with global economic growth broadly remaining tepid. This is a result of softness in demand outlook, mainly from China's weak property sector, as well as re-emergent international trade tensions and elevated speculative futures positioning leaving the copper price exposed to a pull-back.

While the medium-term outlook for the copper sector is encouraging in the current environment, it is hard to justify investment in rich producer valuations. In complete contrast, the valuations for non-producing copper assets do appear attractive. They are trading at substantial discounts to their net asset value estimates. For this reason, the Fund added to Ecuadorian copper developer Solaris which owns a tier 1 copper porphyry project via an equity placement. This was funded with proceeds from the sale of fellow Ecuadorian copper developer Adventus following last month's all-paper bid by Silvercorp.

Despite ongoing Middle Eastern tensions, Brent and WTI crude prices ended the month around 7-8% lower. This was ahead of the OPEC meeting on the 2nd of June at which the cartel reported they would ease voluntary production cuts over the next 12 months. While this was interpreted as bearish by markets, we believe this reflects an ability to relax production limits given estimated consumption growth of over 2Mbopd this year and a little under that figure in 2025. Combined this is comparable to OPEC's spare production capacity. Noting the market ascribes very little risk of supply disruption, as illustrated by sustained medium-term output from Libya, the removal of the spare capacity overhang is encouraging, increasing the potential for future price spikes in the event of any supply shocks. Against this market backdrop, we believe stocks remain attractively valued.

Shipping names BWLPG and Frontline provided strong returns over the month with vessel day rates benefitting from longer passages to avoid more difficult-to-insure Red Sea routes. The outlook remains very encouraging in our opinion with record low order books for new builds and an expected rise in utilisation driving strong day rates. That said the strong performance of BW LPG, whose share price rose 40% in sterling terms over the month and moved to a premium to NAV, prompted some profit taking.

Sources: ¹CQS as at the last business day of the month indicated at the top of this investor report. ²Total return performance net of fees and expenses as at the last business day of the month indicated at the top of this investor report. 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.

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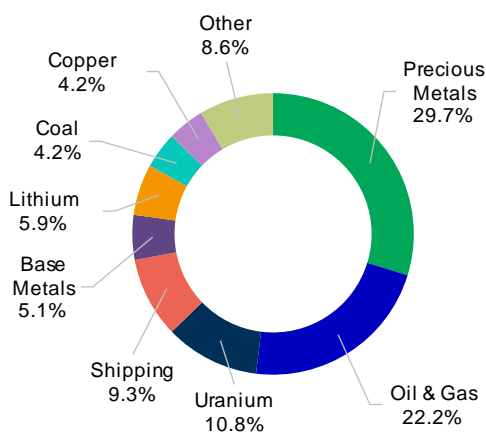
Commentary (continued)¹

Having made an all-time high of over \$2,450/oz mid-month, gold closed May up 1.8% while silver played catch-up, rising nearly 16%. The precious metal miners performed well but given their potential operational leverage to rising metal prices, equities are still lagging the move. Having previously struggled to translate higher gold prices into higher earnings given higher post-Covid costs, such pressures are now easing, and this may translate to improved operational leverage and higher cash generation.

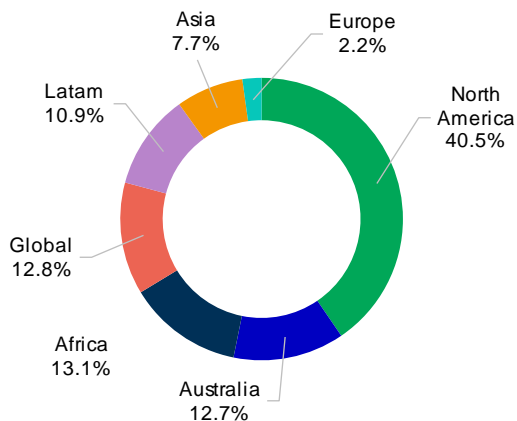
Over the month, the Fund also repurchased around 295,000 shares.

Portfolio Analysis^{2,3}

Sector



Region



Top 20 Holdings (% of MV)^{2,3}

Name	(% of MV)
NEXGEN ENERGY NPV	7.4
BW LPG USD0.01	5.1
EMERALD RESOURCES NPV	5.0
TRANSOCEAN USD0.01	3.9
DIAMONDBACK ENERGY USD0.01	3.7
WEST AFRICAN RESOURCES NPV	3.4
FRONTLINE USD1.0000	3.4
REA HLDGS 9% CUM PREF GBP1	2.8
VERMILION ENERGY COM NPV	2.7
KARORA RESOURCES NPV	2.7
Top 10 Holdings Represent	40.1

Name	(% of MV)
DIVERSIFIED EN CO GBP 0.2	2.7
EOG RESOURCES USD0.01	2.6
ORA BANDA MINING NPV	2.4
TAMBORAN RESOURCES CORP CDI NPV	2.3
FORAN MINING CORP NPV	2.1
CALIBRE MINING CORP NPV	2.1
LEO LITHIUM NPV	2
THUNGELA RESOURCES NPV	1.8
LYNAS RARE EARTHS NPV	1.6
PEABODY ENERGY CORP NPV	1.5
Top 20 Holdings Represent	61.2

AIFMD Leverage Limit Report (% of NAV)

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

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PRI Note: PRI is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMV11.

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