

# Investor Report

31 May 2024

## CQS New City High Yield Fund

### Key Fund Facts<sup>1</sup>

|                               |  |
|-------------------------------|--|
| Fund Manager                  | Ian 'Franco' Francis   |
| Launch Date                   | October 2004   |
| Total Gross Assets            | £304.7m  |
| Reference Currency            | GBP  |
| Ordinary Shares               | Net Asset Value: 49.24p<br>Bid-Market Price: 52.00p  |
| Dividend Yield (est.)         | 8.62%  |
| Gearing                       | 9.94%  |
| Premium (Discount)            | 5.61%  |
| Ordinary Shares in Issue      | 547,701,858  |
| Annual Management Fee         | 0.8% p.a. on assets up to £200 million<br>0.7% p.a. on assets over £200 million and up to £300 million<br>0.6% p.a. on assets greater than £300 million  |
| Bloomberg                     | NCYF LN  |
| Reuters                       | NCYF.L   |
| Sedol                         | B1LZS51 GB   |
| Year End                      | 30 June  |
| Contact Information           | CQSClientServices@cqsm.com   |
| Company Broker                | Singer Capital Markets<br>+44 (0) 207 496 3000   |
| AGM                           | December   |
| Dividend Information 2023/24  | 1.00p interim paid 30 November 2023<br>1.00p interim paid 28 February 2024<br>1.00p interim paid 31 May 2024   |
| Fiscal Year-End               | 30 June  |
| Previous Dividend Information | 2007/08 Total 3.57p<br>2008/09 Total 3.65p<br>2009/10 Total 3.75p<br>2010/11 Total 3.87p<br>2011/12 Total 4.01p<br>2012/13 Total 4.10p<br>2013/14 Total 4.21p<br>2014/15 Total 4.31p<br>2015/16 Total 4.36p<br>2016/17 Total 4.39p<br>2017/18 Total 4.42p<br>2018/19 Total 4.45p<br>2019/20 Total 4.46p<br>2020/21 Total 4.47p<br>2021/22 Total 4.48p<br>2022/23 Total 4.49p |
| Investor Report               | Monthly Factsheet  |
| Annual Report & Accounts      | Published October  |



**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

### Key Advantages for the Investor

- Access to a high-income asset class and a well-diversified portfolio
- Low duration to help mitigate interest rate risk
- Quarterly dividends paid to shareholders

### Ordinary Share and NAV Performance<sup>2</sup>

|             | 1 Month (%) | 3 Months (%) | 1 Year (%) | 3 Years (%) | 5 Years (%) | 10 Years (%) |
|-------------|-------------|--------------|------------|-------------|-------------|--------------|
| NAV         | 1.99        | 4.80         | 18.04      | 25.02       | 41.21       | 81.58        |
| Share Price | 0.39        | 7.08         | 17.47      | 24.72       | 36.48       | 73.84        |

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

May was a good month for the UK economy, with a bounce back in manufacturing - the strongest for over two years. The S&P Global Flash UK Manufacturing Output index went up from 49.4 in April to 52.7, a 25-month high. This was the result of stronger end user demand in both domestic and export markets, and the rebuilding of inventories. While the services sector was still in growth mode, this growth was not as strong as last month. The S&P Global Flash UK services Business Activity index fell to 52.9 from 55.0, a six-month low. Reasons cited for the weaker demand included cost of living pressures and greater economic uncertainty.

The announcement of a general election for the 4<sup>th</sup> July signalled 6 weeks of political media attention to come. UK markets have been slightly weaker since the announcement but has not yet been heavily affected in the early days of campaigning. The CPI inflation figure for April came in at 2.3%, the lowest level since September 2021, getting ever closer to the 2% target. The question for markets is whether the Bank of England will cut rates in June or wait until the target level is reached.

The Eurozone economy continued to recover with the best news coming from manufacturing, where the HCOB Flash Eurozone Manufacturing PMI Output Index was almost back to zero growth, at 49.6 up from 47.3 in April, a 14-month high. The services sector figure at 53.3 (identical to April) was still in strong growth mode. In Germany manufacturing still appears to be weak whilst the services sector appears strong. France however has a stronger manufacturing sector and weaker services. There is still a long way to go for the Eurozone although the data for manufacturing inventories, new orders and backlogs of work have increased. It remains to be seen whether the economies benefit from the forecast rate cut from the European Central Bank (ECB).

The US economy returned to faster growth after a couple of months where it was a little more sluggish. Right across the board, there were improvements in output, order growth and business. Unfortunately, selling price inflation moved slightly higher and is still above target. An interesting point is that the driving force behind the increase now appears to be led by manufacturing as opposed to the service sector. The ability to hit the Federal Reserve Bank's inflation target is still looking to be a challenge and this could well be a factor stopping rate cuts. As we progress towards the November election, we anticipate markets may be more volatile. Currently they seem to discount any negative news and we believe this will continue to be the case in the medium term.

For the Company we added to the holding of NextEnergy Solar ordinary shares and Kantar 9.25% 2026, and took part in a tap issue in Booster10.812% 2026. We trimmed the position in Boparan 7.625% 2025.

The summer period will be interesting for markets with the UK general election, European parliament elections, as well as geopolitics in Ukraine, Gaza and Yemen. It is a particularly testing time as the illiquidity of markets over the summer period leaves them open to high volatility.

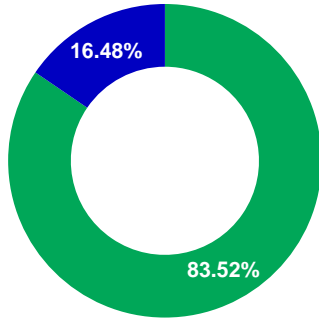
Sources: <sup>1</sup>BNP Paribas Securities Services S.C.A., as at the last business day of the month indicated at the top of this report. <sup>2</sup>BNP Paribas Securities Services S.C.A., total return performance net of fees and expense based on bid prices. These include historic returns and past 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. <sup>3</sup>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.

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

|                              | Gross Leverage (%) <sup>4</sup> | Commitment Leverage (%) <sup>5</sup> |
|------------------------------|---------------------------------|--------------------------------------|
| CQS New City High Yield Fund | 113                             | 113                                  |

**Portfolio Analysis<sup>1,6</sup>**

**Breakdown by Asset Class**



■ Fixed Income   ■ Convertibles/Equities/Preference

**Top 10 Holdings (%)<sup>1,6</sup>**

| Name                                 | (% of NAV)   |
|--------------------------------------|--------------|
| CO-OP BANK HOLD 23-22/05/2034 FRN    | 5.38%        |
| SHAWBROOK GROUP 22-08/06/2171 FRN    | 5.20%        |
| GALAXY FINCO LTD 9.25% 19-31/07/2027 | 5.12%        |
| VIRGIN MONEY 22-08/12/2170 FRN       | 4.97%        |
| RL FINANCE NO6 23-25/11/2171 FRN     | 4.20%        |
| AGGREGATED MICRO 8% 16-17/10/2036    | 3.90%        |
| TVL FINANCE 10.25% 23-28/04/2028     | 3.52%        |
| BARCLAYS PLC 22-15/12/2170 FRN       | 3.46%        |
| FRONTLINE PLC                        | 3.46%        |
| STONEGATE PUB 8.25% 20-31/07/2025    | 3.38%        |
| <b>Top 10 Holdings Represent</b>     | <b>42.58</b> |

Sources: <sup>1</sup>BNP Paribas Securities Services S.C.A., as at the last business day of the month indicated at the top of this report. <sup>4</sup>CQS as at the last business day of the month indicated at the top of this report. 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>CQS as at the last business day of the month indicated at the top of this report. 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. <sup>6</sup>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 is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMv11.




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**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

 [CQSClientServices@cqsm.com](mailto:CQSClientServices@cqsm.com)  [www.cqs.com](http://www.cqs.com)  Follow us

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