Manulife | CQS Investment Management

Investor Report

31 July 2024

CQS New City High Yield Fund Limited
("the Company")

Key Facts[1]

Portfolio Manager	Ian 'Franco' Francis
Launch Date	October 2004
Total Gross Assets	£311.3m
Reference Currency	GBP
Ordinary Shares	Net Asset Value: 50.11p Bid-Market Price: 53.00p
Dividend Yield (est.)	8.45%
Gearing	5.66%
Premium (Discount)	5.77%
Ordinary Shares in Issue	551,451,858
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	B1LZS51 GB
Year End	30 June
Contact Information	CQSClientServices@cqsm.com
Company Broker	Singer Capital Markets +44 (0) 207 496 3000
AGM	December
Dividend Information 2023/24	1.00p interim paid 30 November 2023 1.00p interim paid 28 February 2024 1.00p interim paid 31 May 2024 1.50p interim payable 30 August 2024
Fiscal Year-End	30 June
Previous Dividend Information	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 2021/22 Total 4.48p 2022/23 Total 4.49p
Investor Report	Monthly Factsheet
Annual Report & Accounts	Published October

Ian Francis
Portfolio Manager

Description

The objective of CQS New City High Yield Fund Limited 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[2]

	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)
NAV	1.05	3.79	18.09	24.83	40.28	84.55
Share Price	1.53	2.32	23.10	21.61	34.82	78.71

Commentary[3]

The emphatic win for the Labour Party in the UK election had a negligible impact on the market with a result of this magnitude being widely forecast. This has maintained a stable political situation in the UK and this is what markets feel comfortable with.

An area of concern may be the speed at which an above inflation offer to junior doctors was offered by the new government. The wider health service has the equivalent of 1.3 million employees and we could see the rest of the National Health Service (NHS), as well as other public sector workers, asking for the same treatment. Down the line, we believe there is a potentially large risk to the UK economy in the form of the defined benefits (DB) pension schemes across the public sector. These are unfunded and come out of the UK Treasury, unlike private schemes where a fund has been built up over time by defined contributions. Currently, £12 billion per year is paid to NHS pensioners, just over 10% of the figure paid to all UK pensioners by the government.[4] The UK economy may not be able to fund such generous schemes in future without growth in the whole economy and the resultant tax revenues.

July's S&P Global Flash UK PMI figures were comfortably in growth territory with the composite output index at 52.7 and business activity at 52.4, with both reaching their two-month highs. Most notably, Manufacturing had the largest gain, with an output index of 54.4 and a PMI of 51.8, a 29-month and 24-month high respectively. These growth figures added to the lowest price rises seen for three and a half years. Also encouraging was the strengthening in employment growth across most sectors and pleasingly flat in manufacturing which had previously experienced a 21-month sequence of losses.

In Europe, the economic recovery faltered further in July. The decreasing level of employment in manufacturing has not slowed for 10 months. Worryingly output has fallen faster, implying poor productivity as manufacturers hold onto staff in the hope of a recovery. It may take longer to see the corresponding improvement in employment data.

The figures coming out of Germany are worrying with manufacturing new orders falling the fastest for 3-months and as yet no sign of improvement in sight. Additionally, we observe that the automotive sector is losing global market share to China. On a positive note, the service sector, and tourism in particular, had a strong month on the back of the European football championships.

In the US, the main news was Joe Biden stepping aside for Kamala Harris as the democratic Presidential candidate. For the economy, PMI data signaled moderating inflation with robust growth which is great for now but there remain questions over if this scenario lasts or if one or the other of these factors reverse. A reversal could occur as we witnessed manufacturing moving from expansion to contraction on the month and as we get to the Presidential election in November the prospects for uncertainty will only increase.

For the Company, the shares went ex-dividend at the end of the month with 1.5p/share to be paid on the 30th August.

Sources: [1]BNP Paribas Securities Services S.C.A., as at the last business day of the month indicated at the top of this report. [2]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. [3]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. [4]NHSBSA Workforce Services.[https://www.nhsbsa.nhs.uk/ nhs-pensions-workforce-services#:~:text=We%20administer%20the%20NHS%20Pension,over%20%C2%A312%20billion%20annually.]

Commentary[3]

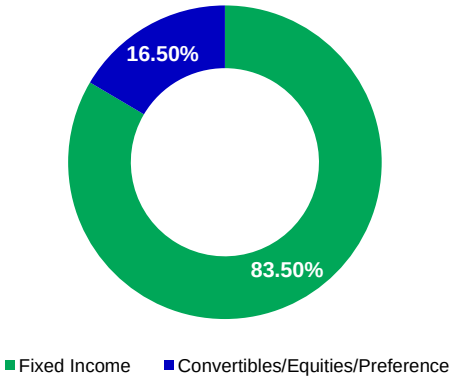
For the Company's portfolio. The Mangrove Luxco 7.75% Sept 2025, Transocean 11.5% Jan 2027 and Kent Global 10% June 2026 were called on the last day of the month. Stonegate announced a refinance of their bonds and funds will be received mid-August and part of this was rolled into the Stonegate FRN July 2029. In the equity element of the portfolio, we sold out of Harbour energy and downsized our holdings in Diversified Energy and Croma Security.

AIFMD Leverage Limit Report (% NAV)

	Gross Leverage (%)[4]	Commitment Leverage (%)[5]
CQS New City High Yield Fund Limited	112	112

Portfolio Analysis[1,6]

Breakdown by Asset Class



Top 10 Holdings (%)[1,6]

Name	(% of NAV)
CO-OP BANK HOLD 23-22/05/2034 FRN	5.42
GALAXY FINCO LTD 9.25% 19-31/07/2027	5.11
SHAWBROOK GROUP 22-08/06/2171 FRN	4.95
VIRGIN MONEY 22-08/12/2170 FRN	4.78
RL FINANCE NO6 23-25/11/2171 FRN	4.18
AGGREGATED MICRO 8% 16-17/10/2036	3.78
TVL FINANCE 10.25% 23-28/04/2028	3.44
FRONTLINE PLC	3.42
BARCLAYS PLC 22-15/12/2170 FRN	3.39
STONEGATE PUB 8.25% 20-31/07/2025	3.29
Top 10 Holdings Represent	**41.76**

Sources: [1]BNP Paribas Securities Services S.C.A., as at the last business day of the month indicated at the top of this report. [4]Manulife | CQS Investment Management 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. [5]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. [6]All holdings data are rounded to two decimal places. Total may differ to sum of constituents due to rounding. The Company is regulated by the Jersey Financial Services Commission.

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PRI Note:
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