Investor Report

31 October 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	£312.0m
Reference Currency	GBP
Ordinary Shares	Net Asset Value: 48.35p Bid-Market Price: 51.20p
Dividend Yield (est.)	8.75%
Gearing	9.36%
Premium (Discount)	5.89%
Ordinary Shares in Issue	572,901,858
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 2024/25	1.00p interim payable 29 November 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 2023/24 Total 4.50p
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	0.81	1.51	16.10	21.54	41.28	88.58
Share Price	0.38	1.36	16.36	21.06	35.74	81.28

Commentary[3]

Economic data for the UK before the Budget showed private sector growth slipping, to a 11-month low overall, with services and manufacturing both posting weaker data. Although both sectors were still growing, companies cited uncertainty and loss of confidence over the Budget as the main reasons for this low growth.

A worrying element of this was the news that many businesses were reducing headcounts for the first time this year in the services and manufacturing sectors. One positive was the cooling in the cost of inputs to both services and manufacturing, which the MPC of the Bank of England will take as a positive.

The Budget, which came at the end of the month, was a significant tax raid on the private sector, with businesses across the board being hit by both the increase in the minimum wage and a hike in National Insurance contributions, which will be increased to 15% in April 2025 to raise the forecast to £25bn. This will likely push inflation higher as costs are passed on to end users, and private sector employees are likely to see lower pay increases going forward and possibly less job security if the companies which employ them struggle to survive as margins are squeezed further.

The Budget increases spending by £70 billion annually, with two-thirds on current and one-third on capital spending. Half is funded through tax increases, which raise £36 billion annually and push the tax take to a record 38% of GDP. Whether or not this leads to the growth forecasted in the budget is open to question. We note that nothing has been done about unfunded gold-plated public sector pensions, which will negatively affect future government borrowing and increase the burden on the private sector. Employees and their employers find it more challenging to build a pension to sustain them through retirement. The immediate threat is interest rates remaining higher for longer, with the credit rating agency Moodys commenting that the Budget poses a new challenge for UK public finances; the Government gilt market was already reflecting this, with the yield on the 10-year gilt reaching 4.53% before dropping back slightly to 4.43% at the close of the month.

The economic outlook from Europe is not particularly encouraging. Although the service sector shows signs of growth, the manufacturing sector continues to experience significant challenges and remains stagnant. Germany had more bad news in the pipeline, with Volkswagen announcing the closure of three manufacturing plants, cutting salaries by 10%, and creating further redundancies, which was not an easy scheme to implement with German employment law. The cause was the surplus of cheap Chinese EVs flooding European markets. This will negatively affect the whole European motor manufacturing sector. Further bad news came from the inflation figure being higher than the previous month, which will probably mean that any ECB rate cut for December is likely only 25bp.

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.

Commentary (continued)[3]

Figures coming out of the US showed continued robust growth and inflation below the Federal Reserve's 2% target. Although businesses are cautious about hiring in front of the closest and most controversial Presidential election in living memory, markets will no doubt react to whatever result and adjust accordingly. A lot is going to occur after this comment, written before the result.

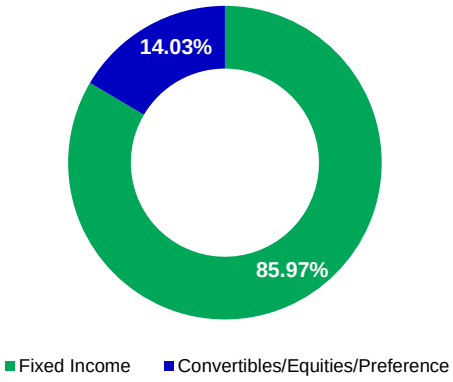
For the company this month, its shares went ex dividend 1p/share to be paid at the end of November. The principal transactions for the portfolio were the refinance of the Ithaca Energy 9% 2026 bond, which was replaced by an 8.125% 2029 bond. As this had a lower coupon, we only recycled 60% of the Funds, with the remaining being invested in NextEnergy Solar Fund ordinary shares. Greenfood AB FRN was refinanced by Greenfood AB 10.038% 2028, and all of this holding was reinvested into the new bond.

AIFMD Leverage Limit Report (% NAV)

	Gross Leverage (%)[4]	Commitment Leverage (%)[5]
CQS New City High Yield Fund Limited	113	113

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	5.50
SHAWBROOK GROUP 22-08/06/2171 FRN	5.24
GALAXY FINCO LTD 9.25% 19-31/07/2027	5.12
VIRGIN MONEY 22-08/12/2170 FRN	4.91
RL FINANCE NO6 23-25/11/2171 FRN	4.33
TVL FINANCE 10.25% 23-28/04/2028	4.13
AGGREGATED MICRO 8% 16-17/10/2036	3.88
STONEGATE PUB 10.75% 24-31/07/2029	3.50
BARCLAYS PLC 22-15/12/2170 FRN	3.40
REA FINANCE 8.75% 15-31/08/2025	3.31
Top 10 Holdings Represent	**43.32**

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** QS 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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