Manulife | CQS
Investment Management

Investor Report

29 November 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	£313.6m
Reference Currency	GBP
Ordinary Shares	Net Asset Value: 48.42p Bid-Market Price: 51.40p
Dividend Yield (est.)	8.72%
Gearing	11.22%
Premium (Discount)	6.15%
Ordinary Shares in Issue	575,401,858
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	0.14	1.29	14.43	21.27	39.55	87.47
Share Price	0.39	1.95	14.90	22.87	36.74	79.14

Commentary[3]

The UK budget hit private sector pensions as, from April 2027, defined contribution pensions that are passed on to children will be subject to inheritance tax. This could be used as an argument in favour of New City High Yield Fund as its high yield element can be paid out in dividends, which enables investors to maintain a good income. It was also announced that the National Insurance threshold will be reduced to £5,000 from £9,100, and the employer's National Insurance contributions will increase to 15% from 13.8%. The increase in the living wage is likely to impair private sector wages and employment. Industries that are already stretched such as care homes, hospitality and other low paid sectors are likely to struggle. We believe that this will lead to higher unemployment and inflation and, therefore, rates will likely be higher for longer again. For the New City High Yield Fund, this can be seen as a positive as it will always help the Company when replacing called bonds. We believe the increase in Capital Gains Tax for shares from 20% to 24%, effective immediately, is not encouraging for investors but could have been far worse if it had been brought into line with income tax rates.

So far, US markets have reacted as expected to a Donald Trump victory. A stronger dollar was $1.30 versus Sterling on November 5th and is now $1.265. Weaker 10-year treasuries were yielding 4.27% and are now at around 4.4% yield, having been as high as 4.5% 8 days after the election. Until all Trump appointees are up and running after 6th January, there will likely continue to be market noise, as some are highly controversial. This time Trump is putting in place many politically inexperienced individuals who are more likely to do as they are told rather than question any of the President's whims.

January will be interesting as we will see just how protectionist trade tariffs are on Europe and the UK in particular. Geopolitics will be front and centre as we will see how Trump proposes to end the Ukraine war. This follows the recent escalation with Ukraine, which has been given permission to use western long-range weapons on sovereign Russian territory, and Putin lowering the requirements for the use of nuclear weapons.

The Trump spending and tax plans will be designed to create the "feel-good" factor that will give Americans the confidence to start spending and drive growth. This will come with price and inflation risks, exacerbated by tariffs and potentially extended supply chains, and the inevitable "higher for longer" interest rates.

European economies are struggling with French and German vehicle manufacturing taking a pummeling from cheaper Chinese electric vehicles (EVs), which is causing buyers to shy away from their European counterparts. Volkswagen announced the closure of three plants, a 10% pay cut across the board, and tens of thousands of job cuts; Ford followed a month later, cutting 4,000 jobs, including 800 in the UK.

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]

The European Central Bank warned of an increasing eurozone sovereign debt risk in its latest review, focusing on fiscal slippage, weak growth and high debt levels. The rolling over of maturing debt is at higher rates, pushing up sovereign debt service costs. Greece leads with a towering debt ratio of 163.6%, followed by Italy at 137.0% and France at 112.2%. Meanwhile, fiscally disciplined countries like Germany and the Netherlands boast much lower ratios, at 61.9% and 43.2%, respectively. The International Monetary Fund (IMF), in its latest October Fiscal Monitor, forecasts that by 2029, France's debt-to-GDP ratio will climb from 112.0% to 124.1%, while Italy's will surge to a staggering 142.3%, up from 136.9%. Belgium is also expected to see its debt rise sharply, from 105% to 119%. The corporate sector is not immune to sovereign vulnerabilities. Rising sovereign bond yields could spill over into the private sector, increasing company funding costs. This can be helpful to the New City High Yield Fund, providing companies can refinance/repay debt.

We cannot be complacent in the next six months as there are many moving parts, any combination of which can cause market problems.

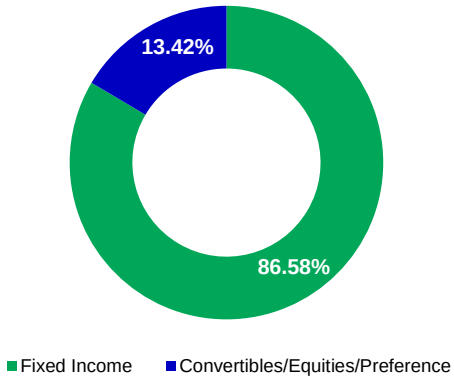
The Company paid its 1p/share at the end of the month. For the portfolio, we continued to sell small amounts of Croma Security solutions when bids arose. Also on the sale front, we sold some more diversified energy into market demand. The Bluewater holding (12%) had a partial redemption. Just Group 8 1/8% was downsized, and the funds switched into Close Brothers 11.125% at an average price of 88.66 (this was issued 12 months ago, and we expected it would fall back on the auto loans scandal, but we are currently happy with the risk /reward currently offered). One other purchase was Selecta Group 8% April 2026, the pan-European vending machine operator, a stock recommended by one of our research analysts.

AIFMD Leverage Limit Report (% NAV)

	Gross Leverage (%)[4]	Commitment Leverage (%)[5]
CQS New City High Yield Fund Limited	111	111

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	5.28
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	4.16
TVL FINANCE 10.25% 23-28/04/2028	4.12
AGGREGATED MICRO 8% 16-17/10/2036	3.86
STONEGATE PUB 10.75% 24-31/07/2029	3.45
BARCLAYS PLC 22-15/12/2170 FRN	3.41
REA FINANCE 8.75% 15-31/08/2025	3.31
Top 10 Holdings Represent	**42.87**

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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