

CQS



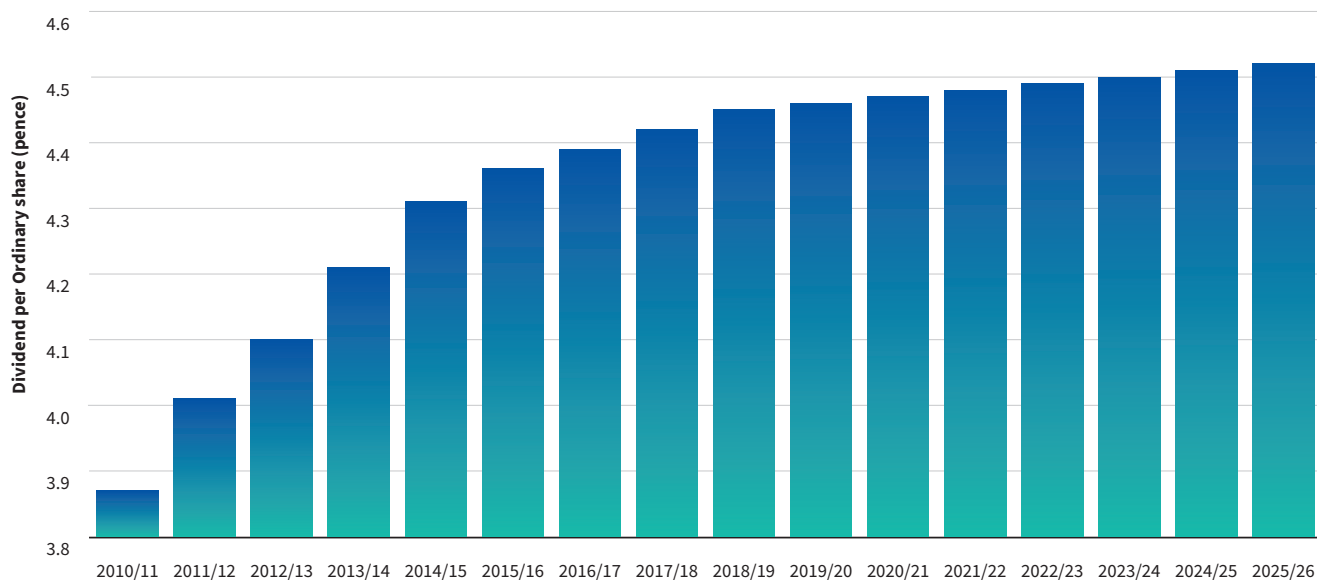
Annual Report
& Financial Statements

30 June 2026

Purpose and Strategy

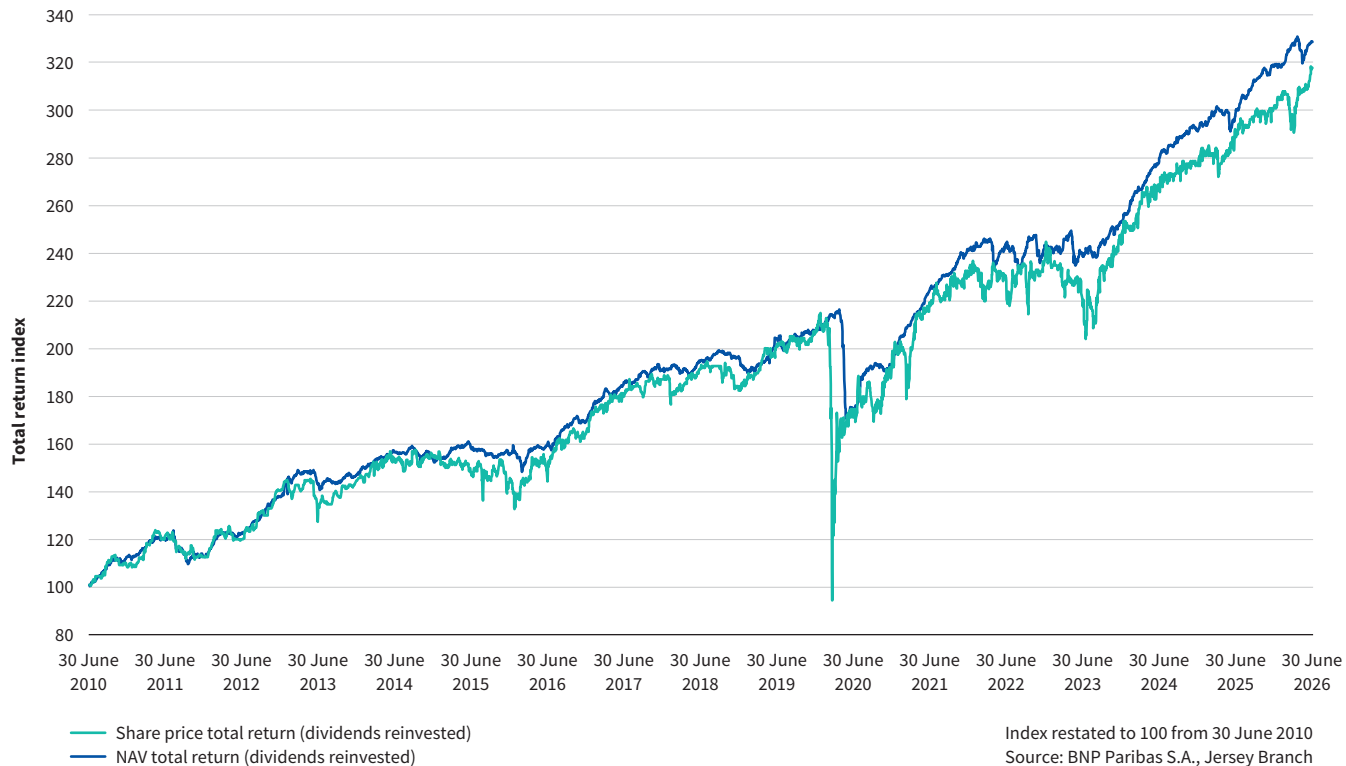
The purpose of CQS New City High Yield Fund Limited (“NCYF” or the “Company”) is to provide Shareholders with a high gross dividend yield and the potential for capital growth by mainly investing in high yielding fixed interest securities. To achieve this, the strategy of the Company is to follow the investment policy outlined on page 31 of this report and to utilise the benefits of being a closed-ended investment vehicle.

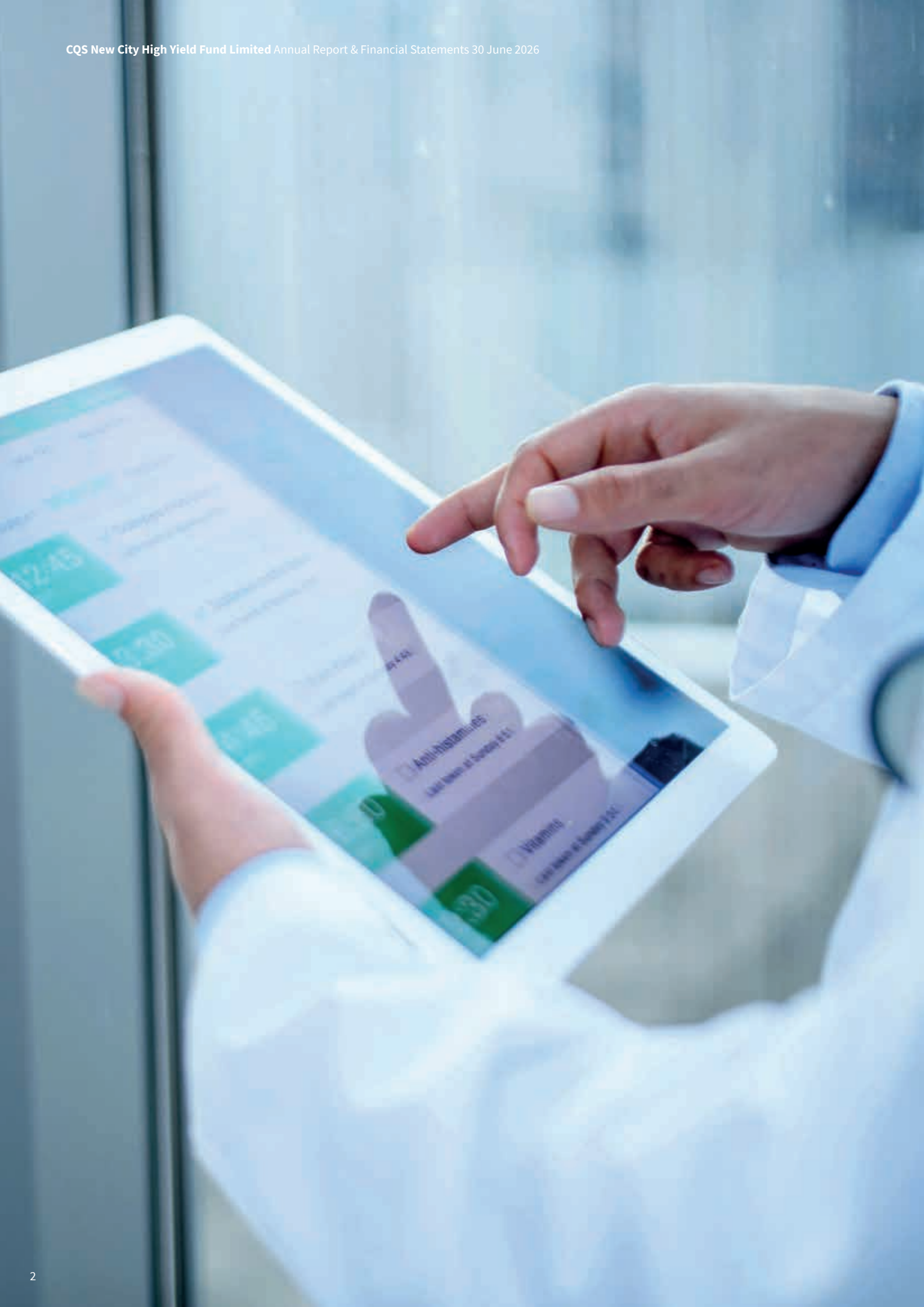
Dividends declared in respect of each financial year



Source: Bloomberg

NAV total return and share price total return





Contents

FINANCIAL HIGHLIGHTS

- 6 Financial Highlights

STRATEGIC REPORT

- 10 Statement from the Chair
- 14 Investment Manager's Review
- 18 Classification of Investment Portfolio
- 19 Investment Portfolio
- 21 Ten Largest Holdings
- 22 Risk Report
- 28 Stakeholders – Section 172 Statement and Principal Decisions
- 31 Strategic Review

DIRECTORS' REPORTS AND GOVERNANCE REPORTS

- 38 Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements
- 40 Board of Directors and Investment Manager
- 43 Directors' Report
- 46 The Board and Committees
- 49 Statement of Compliance with the AIC Code
- 50 Environmental, Social and Governance Statement
- 52 Report of the Audit and Risk Committee
- 56 Directors' Remuneration Report

INDEPENDENT AUDITOR'S REPORT

- 61 Independent Auditor's Report to the members of CQS New City High Yield Fund Limited

FINANCIAL STATEMENTS

- 68 Statement of Comprehensive Income
- 69 Statement of Financial Position
- 70 Statement of Changes in Equity
- 71 Cash Flow Statement
- 72 Notes to the Financial Statements

SUPPLEMENTAL INFORMATION AND ANNUAL GENERAL MEETING (Unaudited)

- 94 Glossary of Terms and Definitions
- 95 Alternative Performance Measures
- 98 Annual General Meeting 2026 – Explanation of Resolutions
- 100 Notice of Annual General Meeting
- 103 Report from the Investment Manager relating to Matters under the Alternative Investment Fund Managers' Directive
- 104 Corporate Information



Financial Highlights

Financial Highlights

NAV and share price total return ²	12 months to 30 June 2026	12 months to 30 June 2025
NAV ¹	10.20%	6.98%
Ordinary share price	10.06%	7.43%

Capital values	As at 30 June 2026	As at 30 June 2025	% change
Total assets less current liabilities (with the exception of the bank loan facility)	£375.2m	£338.8m	10.74%
NAV per ordinary share ¹	48.55p	48.37p	0.37%
Share price (bid) ³	51.80p	51.40p	0.78%

Revenue and dividends	12 months to 30 June 2026	12 months to 30 June 2025	% change
Revenue earnings per ordinary share ²	4.64p	4.43p	4.74%
Annual dividends per ordinary share ²	4.52p	4.51p	0.22%
Dividend cover ²	1.03x	0.98x	
Revenue reserve per ordinary share (after recognition of annual dividends) ²	2.52p	2.61p	
Ongoing charges ratio ²	1.11%	1.17%	
	As at 30 June 2026	As at 30 June 2025	
Dividend yield ²	8.73%	8.77%	
Premium ²	6.69%	6.26%	
Gearing ²	10.78%	10.02%	

Dividend history	Rate	xd date	Record date	Payment date
First interim 2026	1.00p	23 October 2025	24 October 2025	28 November 2025
Second interim 2026	1.00p	22 January 2026	23 January 2026	27 February 2026
Third interim 2026	1.00p	30 April 2026	1 May 2026	29 May 2026
Fourth interim 2026	1.52p	30 July 2026	31 July 2026	28 August 2026
Annual dividend per ordinary share	4.52p			

First interim 2025	1.00p	24 October 2024	25 October 2024	29 November 2024
Second interim 2025	1.00p	23 January 2025	24 January 2025	21 February 2025
Third interim 2025	1.00p	1 May 2025	2 May 2025	30 May 2025
Fourth interim 2025	1.51p	31 July 2025	1 August 2025	29 August 2025
Annual dividend per ordinary share	4.51p			

¹ The definition of the terms used can be found in the glossary on page 94.

² A description of the Alternative Performance Measures ("APMs") used above and information on how they are calculated can be found on pages 95 to 97.

³ Source: Bloomberg







Strategic Report

Statement from the Chair

Caroline Hitch
Chair



Key Points

- NAV total return of 10.20%
- Ordinary share price total return of 10.06%
- Dividend yield of 8.73%, based on dividends at an annualised rate of 4.52 pence and a share price of 51.80 pence as at 30 June 2026
- Ordinary share price at a premium of 6.69% at 30 June 2026
- £36,758,000 of equity issued during the year to 30 June 2026

Investment and share price performance

I am pleased to report that despite a volatile backdrop, your Company delivered another year of strong performance. NAV in total return terms was 10.20% for the 12 months to 30 June 2026. The share price also recorded a positive year with a total return of 10.06%, continuing to trade at a premium to NAV. Thanks to this premium and the excellent long-term performance, the Company was able to continue issuing shares (see below for more details) and was among the largest issuers of investment company shares on the London Stock Exchange (“LSE”).

Major equity markets recorded a good year with the leading US, UK and European indexes rising by mid to high teens percentages as markets were able to shrug off geopolitical worries arising from the continuing conflict in Ukraine and the US and Iran war that broke out in February 2026. In contrast, major global government bond market returns were broadly negative to unchanged over the year, as escalating geopolitical tensions and the Middle East energy shock pushed inflation expectations and central bank interest rate forecasts higher.

Investment-grade bonds generated low single-digit returns with the MSCI GBP Investment Grade Corporate Bond Index returning 4.44% and the S&P 500 Investment Grade Corporate Bond Index returning 2.29%.

Against this backdrop, the Company’s portfolio delivered a strong result with positive contributions from selected equity holdings that offset weakness in two bonds. Ian “Franco” Francis and Darren Toner, the co-portfolio investment managers, provide more detail in their report on page 14.

Earnings and dividends

Your Company’s revenue earnings per ordinary share were 4.64 pence for the year to 30 June 2026, an increase of 4.74%, compared to 4.43 pence earned in the same period last year. Earnings were strong across the portfolio while Sterling weakness during the year provided additional benefit to our overseas income. The Board increased this year’s dividend, albeit marginally, maintaining the Company’s record of annual dividend growth, which has been unbroken since 2007. The excess revenue went towards bolstering the Company’s revenue reserves. The Company declared three interim dividends of 1.00 penny per share in respect of the period and one interim dividend of 1.52 pence per share since the year end.

The aggregate payment of 4.52 pence per ordinary share is a 0.22% increase on the 4.51 pence paid last year. Currently, the Board intends in the coming year to follow the same pattern of dividend payments as last year and maintain or slightly increase the total level of dividends. Based on an annual rate of 4.52 pence and a share price of 50.40 pence at the time of writing, this would represent a very attractive dividend yield of 8.97%. As I stress in every report, the Board pays great attention to dividend payments as we understand how much Shareholders value this aspect of the Company. I am also proud to note that, provided the Company increases the level of the total dividend in the next financial year as anticipated, the Company will become an Association of Investment Companies (“AIC”) Dividend Hero and join an exclusive list of investment companies that have increased their dividends for at least 20 years.

Gearing

During the financial year, the Company renewed its £50,000,000 loan facility with BNP Paribas, London Branch at a competitive rate. This facility is due to expire in December 2026 and the Company expects to seek its renewal at that time. Out of this facility, £40,000,000 was drawn down as at 30 June 2026. At the time of writing, the Company has an effective gearing rate of 10.42% and the Board expects to maintain approximately this level of gearing during the next financial year.

Share issuance

Taking advantage of the premium rating that the market continued to attach to the Company’s shares, £36,758,000 was raised from new and existing Shareholders during the financial year, with 72,750,000 ordinary shares issued from the block listing facility. Shares were issued at a modest premium (to cover costs) and only when the Investment Manager was confident the additional funds could be invested favourably.

As well as a small increase in NAV from any issue of shares, the Board believes that over time, existing Shareholders will benefit from lower ongoing charges and greater liquidity in the Company’s shares, all other things being equal.

Environmental, Social and Governance (“ESG”) statement

The Board’s intention is to invest responsibly and to consider the Company’s broader impact on society and the environment. We believe the integration of ESG

factors in the investment process is consistent with delivering sustainable attractive returns for Shareholders through deeper, more informed investment decisions. The Board has reviewed and agreed the ESG approach adopted by the Company and a summary of this is set out on page 50.

Your Board

As I set out in the last Annual Report, Wendy Dorman, after nine years of service as Audit and Risk Committee chair, stepped down at the 2025 Annual General Meeting (“AGM”) and we thank her sincerely for her valuable contribution to the Company. I am pleased to report that Andrew Dann succeeded Wendy as chair of the Audit and Risk Committee. I am also pleased that Joanna Dentskevich was appointed as a Non-executive Director with effect from 1 February 2026. This appointment followed a search and selection process managed by an external independent recruitment consultancy. Joanna has over 35 years of risk, finance and investment banking experience gained in leading global banks worldwide, alternative investments and the offshore funds industry. Previously, she was a director at Morgan Stanley heading up its customer valuations group, a director of risk at Deutsche Bank and chief risk officer of a London-based hedge fund. I am delighted to welcome her to the Board.

John Newlands, who joined the Board in October 2017 and is the chair of the Management Engagement Committee, has served for nine years as a Non-executive Director and will retire at the conclusion of the forthcoming AGM on 10 December 2026. My colleagues and I will miss his wise counsel and valuable contributions to the Board’s deliberations. Recruitment for a new director is underway with Longwater Partners engaged for the search. More information on Board succession planning can be found on page 48.

Investment Manager

On 21 May 2026 the Company announced the appointment of Darren Toner as Co-Portfolio Manager of NCYF. Darren is a Senior Portfolio Manager at Manulife | CQS Investment Management (“CQS” or “the Investment Manager”), responsible for managing High Yield, Investment Grade and Financial strategies within CQS’s Multi Asset Credit business. He has a deep understanding of NCYF’s investment strategy and process, having worked alongside Ian “Franco” Francis for 15 years and been closely involved in supporting Franco’s management of the portfolio, identifying and assessing

Statement from the Chair

Continued

potential investments and in portfolio construction, particularly over the previous two-year period.

Darren's appointment as Co-Portfolio Manager forms part of an orderly succession plan at NCYF, as Franco will step back from managing the portfolio after a transition period of 12 months. During this transition period, Darren and Franco, supported by CQS's 40-strong team of asset class specialists and analysts, will work closely to ensure continuity in the management of the portfolio and a smooth handover of responsibilities. Darren has been making a positive contribution to the Company for many years and over the transition period, we will all work closely to ensure continuity in the investment process, while maintaining our focus on delivering attractive returns.

When the transition period ends in May 2027, Franco will remain available to the Company as a consultant to advise and guide Darren and his team for a period of approximately three more years. The appointment from within the CQS credit team reflects the Company's commitment to the continued delivery of its investment objective and consistency of its established investment approach, philosophy and risk discipline.

I would like to take this opportunity to thank Franco very sincerely on behalf of Shareholders, the Board and all stakeholders in the Company for his unwavering dedication, enthusiasm and professional management of NCYF's investments over many years. The results surely speak for themselves.

I remain confident in the strength of the Investment Manager's investment approach and that Shareholders

will continue to benefit from a well-resourced and disciplined, opportunity-led strategy.

Outlook

Uncertainty abounds — but then again, when doesn't it? For our Investment Managers, uncertainty and the accompanying volatility can create attractive opportunities, which is of course what we are looking for. For our Shareholders, overall portfolio characteristics matter more, and the Outlook section of the Investment Manager's review on page 16 explains how each investment is selected, and how these selections roll up into what I believe is the Company's compelling investment proposition.

There is upward pressure on central bank interest rates at present, and anticipation of this, together with concern over fiscal difficulties ahead (notably in the UK), has recently driven longer-dated bond yields higher across major economies. While neither trend looks likely to turn favourably any time soon, the Company's holdings are mainly short-dated, often with relatively high coupons, and the portfolio therefore enjoys some shelter when longer-dated bonds are weak.

The Board intends to continue paying Shareholders a relatively high dividend, generated mainly from a diversified portfolio of well-researched high yield bonds, to qualify the Company as an AIC Dividend Hero next year.

Caroline Hitch
Chair

17 September 2026



Overall, I remain optimistic that your Company will continue to deliver attractive dividends and, over the longer term, generate some capital appreciation as well.

Caroline Hitch
Chair



Investment Manager's Review

Ian “Franco” Francis
New City Investment Manager



Darren Toner
New City Investment Manager



Introduction

The second half of 2025 was relatively quiet in geopolitical terms, and we saw major economies showing modest growth. Inflation appeared to be gently coming down, enough for some reductions in interest rates, such as in the UK, where, in December 2025, the base rate was reduced by 0.25% to 3.75%. As we began 2026, markets were very positive and we also saw commodities such as gold and silver reaching all-time price highs. This orderly progression was rudely interrupted at the end of February by a sharp escalation in geopolitical risk following the outbreak of hostilities involving the US, Israel and Iran, which led to a pronounced increase in volatility across global asset classes. The impact was most immediately felt in energy markets, though the effects subsequently broadened to rates, credit, equities and currencies. This volatility continued throughout the period to June 2026.

The overall NAV total return for the 12 months to 30 June 2026 was a positive 10.20% and we also saw a healthy increase in earnings per Ordinary share for the year. The Company raised new monies as we issued shares at a premium. Proceeds have continued to be invested into a wide and diverse range of sectors and stocks.

Market and economic review

The UK economy has struggled in recent months, with businesses citing rising input costs and subdued customer confidence as key factors. While inflationary pressures remain closely linked to developments in energy and commodity markets, business and consumer confidence have also been affected by uncertainty surrounding the future fiscal direction of the economy. This environment presents a continuing challenge for the Bank of England. Policymakers must balance persistent inflationary pressures against signs of weakening economic activity and softer confidence levels. Market participants remain focused on the outlook for fiscal policy and its implications for bond, equity and currency markets, with uncertainty continuing to weigh on investment sentiment and growth prospects in the near to medium term.

The Eurozone economy has remained resilient in 2026, although GDP growth during the second quarter is expected to have been broadly flat. Inflation has continued to moderate, helped by lower energy prices

which eased both input and output cost pressures. The manufacturing sector continued to benefit from inventory building as customers sought to bring forward purchases ahead of potential future price increases, although this support is likely to fade once the Middle East conflict begins to move closer to resolution.

The United States economy has seen robust growth in 2026, although we saw a notable weakening in employment conditions during June, representing the sharpest decline since the pandemic. As we wrote above, in Europe much of this activity appears to have been driven by businesses bringing forward orders in anticipation of future inflationary pressures and potential supply chain disruption. While supportive in the short term, it may also point to a more cautious outlook for demand later in the year.

With inflation still a factor, it becomes more difficult for central banks to reduce interest rates. In the UK, rates reduced by 50 basis points during the full year period to reach 3.75% at the end of June 2026 and in the US, the US Federal Reserve reduced rates by 75 basis points to 3.50% with these reductions all coming in the second half of 2025. Despite interest rates falling, the UK 10-year gilt yield actually increased to 4.8% at the end of June 2026 compared to 4.6% at the end of June 2025. The US position is slightly better with the 10-year bond moving over the same period from 4.6% to 4.5%. Who would want to be a central banker!

In the UK, bond markets had a positive year despite the rise in gilt yields with the average investment-grade fixed-interest return being around 4.4%.

Portfolio and revenue review

We list our top 10 investments on page 21. You may notice that during the year, four of the largest positions in the portfolio moved out of the top 10. Two of these investments were repaid early by their issuer companies, namely Aggregated Micro 8% 2036 and Azerion Group FRN 2026. This is normal and healthy with companies being able to repay their loans early as their positions improve or they take the opportunity to finance at lower levels. We also sold down our position in Galaxy Bidco 8.125% 2029, but this remains a large position in the portfolio. The other top 10 position last year was REA Finance, which slipped to number 11 this year.

New positions in the top 10 are Sherwood Financing 9.625% 24-15/12/2029, Cidron Aida Financing 9.125% 25-27/10/2031, Wheel Bidco 9.875% 21-15/09/2029 and 888 Acquisitions 10.75% 2030. Sherwood Financing 9.625% 24-15/12/2029 is a European fund manager based in Manchester with a focus on investing in private and public credit and is part of the Arrow Global Group. Cidron Aida Financing 9.125% 25-27/10/2031 is part of Advanz Pharma, a global pharmaceutical company headquartered in London. Wheel Bidco is the financing arm of Pizza Express UK and 888 Acquisitions is a group finance vehicle for gambling group Evoke plc (formerly 888 Holdings plc).

We encountered problems with two bond positions this year. Priority 1 Logistics 12.625% 2027 experienced sustained financial pressure due to lower flight activity and increased fuel costs and entered liquidation in June 2026. Having held Garfunkelux (the financing arm of Lowell, a major European credit-management and debt-collection agency) for a number of years, we exited the position at a substantial loss in February 2026 after it came under severe refinancing pressure.

On a more positive note, we saw a substantial rise in both valuation and dividends from one of the equity positions, Frontline plc. This is a major international oil-tanker shipping company whose share price has risen by 112% over the year and dividend has increased from US\$1.34 to US\$3.13 per share.

Sterling has been slightly weaker over the last year especially against the US\$ where we have 14.5% exposure in the portfolio which has had some capital and revenue gains. We still like the underlying investments and believe that interest rates will reduce in the UK over the next 12 months which means we should see some currency gains. The Company has a further 9.8% invested in Euro-denominated securities and other currencies.

For the year to 30 June 2026, the revenue account earnings were 4.64 pence per Ordinary share compared to 4.43 pence for the same period last year, comfortably covering the dividend. Stronger dividends from our equity holdings were a factor in this result.

We are comfortable with the revenue account going forward and in our regular discussions with Shareholders, revenue and dividends are topics of crucial importance.

Investment Manager's Review

Continued

The ability of any portfolio company to pay its coupon or expected dividend is one of the major indicators we follow.

Outlook

We expect markets to remain volatile as geopolitics, shifting policy expectations and an uneven economic backdrop continue to influence investor sentiment. Periods of uncertainty such as these can create attractive entry points as credit markets reprice and valuations diverge. With growth moderating but remaining resilient, and yields still offering meaningful income, we believe the environment for corporate bonds remains constructive.

The Company's short-duration profile and broad diversification provide a strong foundation from which to navigate changing market conditions, while retaining the flexibility to respond when opportunities emerge. We continue to favour issuers with reliable cash flows, robust balance sheets, recurring revenues and good earnings visibility. Through disciplined risk management and thoughtful security selection, we aim to capitalise on selective valuation dislocations and deliver attractive risk-adjusted returns and sustainable long-term value for Shareholders.

Ian "Franco" Francis and Darren Toner
New City Investment Managers

17 September 2026



Classification of Investment Portfolio

As at 30 June 2026

By currency	2026 Total investments %	2025 Total investments %
Sterling	75.74	69.38
US dollar	14.50	17.31
Euro	8.73	11.96
Swedish krona	0.74	0.79
Norwegian krone	0.29	0.48
Canadian dollar	–	0.08
Total investments	100.00	100.00

By asset class	2026 Total investments %	2025 Total investments %
Fixed income securities ¹	85.60	87.14
Equity shares ²	14.40	12.86
Total investments	100.00	100.00

¹ Fixed income securities include fixed and floating rate securities, convertible securities and preference shares.

² Equity shares include investment funds.

Classification of Investment Portfolio by Sector

As at 30 June 2026

	2026 Total investments %	2025 Total investments %
Financials	48.88	45.70
Consumer discretionary	26.19	21.53
Energy	7.24	14.74
Consumer Staples	7.17	6.55
Health Care	3.06	–
Real Estate	2.87	1.44
Communication Services	2.58	2.68
Industrials	1.20	6.10
Information Technology	0.81	1.17
Materials	–	0.09
Total investments	100.00	100.00

Investment Portfolio

As at 30 June 2026

Company	Sector	Valuation £'000	Total investments %
SHAWBROOK GROUP 22-08/06/2171 FRN	Financials	14,298	3.92
STONEGATE PUB 10.75% 24-31/07/2029	Consumer Discretionary	14,080	3.86
TVL FINANCE 10.25% 23-28/04/2028 (Travel Lodge)	Consumer Discretionary	13,789	3.78
RL FINANCE NO6 23-25/11/2171 FRN (Royal London)	Financials	12,030	3.30
SHERWOOD FINAN 9.625% 24-15/12/2029 (Arrow)	Financials	11,895	3.26
CIDRON AIDA FINC 9.125% 25-27/10/2031 (Advanz Pharma)	Health Care	11,155	3.06
BELLIS ACQUISITI 8.125% 24-14/05/2030 (Asda)	Financials	10,331	2.83
WHEEL BIDCO 9.875% 21-15/09/2029 (Pizza Express)	Consumer Discretionary	9,955	2.73
BARCLAYS PLC 22-15/12/2170 FRN	Financials	9,310	2.55
888 ACQUISITIONS 10.75% 24-15/05/2030 (Evoke (888))	Consumer Discretionary	8,885	2.42
Top ten investments		115,728	31.71
REA HOLDINGS PLC -PREF SHARES	Consumer Staples	7,989	2.19
ASTON MARTIN 10.375% 24-31/03/2029	Consumer Discretionary	7,982	2.19
MARKET BIDCO FIN 8.75% 25-31/01/2031 (Morrisons)	Consumer Staples	7,827	2.14
BOPARAN FINANCE 9.375% 24-07/11/2029 (2 Sisters Food Group)	Financials	7,764	2.13
LEGAL & GENERAL GROUP PLC	Financials	7,722	2.12
SATURN HOLDINGS 25-26/02/2036 FRN	Financials	7,465	2.05
M&G PLC	Financials	7,394	2.03
CLOSE BROS GRP 23-29/05/2172 FRN	Financials	6,908	1.89
3T GLOBAL 11.25% 24-22/05/2028	Consumer Discretionary	6,752	1.85
STANDARD LIFE PLC	Financials	6,655	1.81
Top twenty investments		190,186	52.11
CPI PROPERTY GRO 25-07/01/2174 FRN	Real Estate	6,490	1.78
FRONTLINE PLC	Energy	6,412	1.76
CRUISE YACHT UPP 11.875% 24-05/07/2028	Consumer Discretionary	6,328	1.73
PINNACLE BIDCO P 10% 23-11/10/2028 (Pure Gym Group)	Consumer Discretionary	6,219	1.70
MFG/MRH MOTFUE TL B10 1LB	Consumer Discretionary	6,006	1.65
BURFORD CAPITAL 9.25% 23-01/07/2031	Financials	5,601	1.53
SIGMA HOLDCO 8.625% 25-15/04/2031 (Flora Food Group)	Consumer Staples	5,430	1.49
SP CRUISES INTER 11.5% 25-14/03/2030	Consumer Discretionary	5,121	1.40
NEXTENERGY SOLAR FUND LTD	Energy	4,877	1.34
AAREAL BANK AG 25-31/07/2173 FRN	Financials	4,830	1.33
Top thirty investments		247,500	67.82
ARQIVA BROAD FIN 8.625% 25-01/07/2030	Communication Services	4,785	1.31
VIRGIN MEDIA O2 7.875% 24-15/03/2032	Communication Services	4,625	1.27
ENQUEST PLC 9.875% 26-30/04/2031 X1	Energy	4,622	1.27
VIRGIN MONEY 23-08/06/2172 FRN	Financials	4,502	1.23
STONEGATE PUB 24-31/07/2029 FRN	Consumer Discretionary	4,336	1.19
ZOPA GROUP LTD 25- FRN	Financials	4,256	1.17
NEWCASTLE BLD SC 24-06/06/2173 FRN	Financials	4,160	1.14
GALAXY BIDCO LTD 8.125% 24-19/12/2029 (Domestic & General)	Financials	4,134	1.13

Investment Portfolio

As at 30 June 2026

Continued

HAMPSHIRE TRUST 26-09/09/2174 FRN	Financials	4,020	1.10
BLUEWATER HOLD 9.875% 26-28/05/2031	Energy	3,716	1.02
Top forty investments		290,656	79.65
DT PFANDBRIEFBAN 18-31/12/2049 FRN	Financials	3,626	0.99
CO-OP BANK HOLD 23-22/05/2034 FRN	Financials	3,312	0.91
BARCLAYS PLC 23-15/06/2171 FRN	Financials	3,188	0.87
OSB GROUP 23-07/09/2028 FRN	Financials	3,149	0.86
BOS GMBH 25-25/06/2029 FRN	Consumer Discretionary	2,990	0.82
UTB PARTNERS PLC 25-30/05/2173 FRN	Financials	2,688	0.74
WEST BROMWICH BS 18-20/08/2172	Financials	2,649	0.73
ITHACA ENERGY PLC	Energy	2,627	0.72
COVENTRY BDG SOC 24-11/12/2172 FRN	Financials	2,625	0.72
TEREOS FIN GROUP 8.125% 26-30/04/2032	Consumer Staples	2,594	0.71
Top fifty investments		320,104	87.72
FORESIGHT ENVIRONMENT INFRASTRUCTURE LTD	Financials	2,553	0.70
CHANNEL ISLAND PROPERTY FUND	Real Estate	2,400	0.66
GREENFOOD AB 24-13/11/2028 FRN	Consumer Staples	2,340	0.64
ENQUEST PLC 9.875% 26-30/04/2031	Energy	2,304	0.63
LIFEFIT GROUP 24-29/08/2029 FRN	Consumer Discretionary	2,241	0.61
INVESTEC 24-28/08/2172 FRN	Financials	2,201	0.60
GAMING INNOV 23-18/12/2026 FRN	Information Technology	2,100	0.58
CHESNARA 25-01/02/2174 FRN	Financials	2,056	0.56
VIDA GROUP 25-05/02/2036 FRN	Financials	1,999	0.55
ATTICA BANK SA 25- FRN	Financials	1,871	0.51
Top sixty investments		342,169	93.76
BOOSTER PRECISIO 22-28/11/2026 SR	Industrials	1,867	0.51
UTB PARTNERS PLC 12.95% 23-31/03/2034	Financials	1,620	0.44
PRA GROUP INC 8.875% 24-31/01/2030	Financials	1,558	0.43
ION PLATFORM FIN 7.875% 25-01/05/2029	Financials	1,552	0.43
NEWRIVER REIT PLC	Real Estate	1,453	0.40
VAN LANSCHOT 24-01/04/2172 FRN	Financials	1,418	0.39
EUROBANK ERGASIA 22-06/12/2032 FRN	Financials	1,402	0.38
ION PLAT US/SARL 9.5% 25-30/05/2029	Financials	1,378	0.38
TWMA FINANCE AS 12.25% 26-10/02/2029	Industrials	1,219	0.33
ATOM HOLDCO 11.5% 24-08/01/2035	Financials	1,096	0.30
Top seventy investments		356,732	97.75
Other investments (67)		8,204	2.25
Total investments		364,936	100.00

Notes:

FRN – Floating Rate Note

PREF – Preference shares

REIT – Real Estate Investment Trust

SR – Senior

Ten Largest Holdings

	Valuation 30 June 2025 £'000	Purchases £'000	Sales £'000	Revaluation gain/(loss) £'000	Valuation 30 June 2026 £'000
SHAWBROOK GROUP 22-08/06/2171 FRN A holding company of Shawbrook Bank Limited, a specialist lending and savings bank serving consumers in the UK.	13,843	–	–	455	14,298
STONEGATE PUB 10.75% 24-31/07/2029 Operator of various formats ranging from high-street pubs and traditional country inns to local community pubs, student pubs and late-night bars and venues in the UK.	11,390	2,784	–	(94)	14,080
TVL FINANCE 10.25% 23-28/04/2028 A special purpose entity formed for the purpose of issuing debt securities to repay existing credit facilities, refinance indebtedness and for acquisition purposes of Travelodge Group.	12,955	1,443	–	(609)	13,789
RL FINANCE NO6 23-25/11/2171 FRN A special purpose entity set up to raise capital whose proceeds will be used for general business and commercial activities of Royal London.	11,879	–	–	151	12,030
SHERWOOD FINAN 9.625% 24-15/12/2029 A European fund manager based in Manchester that has a focus on investing in private and public credit and a part of the Arrow Global Group.	4,297	7,524	–	74	11,895
CIDRON AIDA FINC 9.125% 25-27/10/2031 A company which forms part of Advanz Pharma which is a global pharmaceutical company headquartered in London.	–	11,498	–	(343)	11,155
BELLIS ACQUISITI 8.125% 24-14/05/2030 Operates as a special purpose entity. The Company was formed for the purpose of issuing debt securities to repay existing credit facilities, refinance indebtedness, and for acquisition purposes.	9,413	960	–	(42)	10,331
WHEEL BIDCO 9.875% 21-15/09/2029 A special purpose entity set up to raise capital whose proceeds will be used for general business and commercial activities of Pizza Express.	2,764	7,437	–	(246)	9,955
BARCLAYS PLC 22-15/12/2170 FRN A global financial services provider engaged in retail banking, credit cards, wholesale banking, investment banking, wealth management and investment management services.	9,472	–	–	(162)	9,310
888 ACQUISITIONS 10.75% 24-15/05/2030 A special purpose entity set up to raise capital whose proceeds will be used for general business and commercial activities of gambling company Evoke plc (formerly 888 Holdings plc).	–	8,290	–	595	8,885
	76,013	39,936	–	(221)	115,728

Risk Report

A key responsibility of the Board is to understand, assess and oversee the risks that could affect the Company's ability to achieve its investment objective and deliver long-term value for Shareholders. The Board recognises that risk is inherent in the Company's investment activities and operations and seeks to ensure that an appropriate balance is maintained between prudent risk management, its approved risk appetites and the pursuit of the Company's investment objective.

The Board has established a risk management and internal controls framework designed to support the effective identification, assessment, monitoring and management of risks. As the Company has no employees, it relies on its key service providers to operate this framework and maintain appropriate systems and controls.

The Board is supported in this process by the Audit and Risk Committee and the Management Engagement Committee, each of which provides oversight of different aspects of the Company's risk management and internal controls framework.

The Company's risk management and internal controls framework is illustrated below and demonstrates how responsibility for identifying, assessing, monitoring and overseeing risk is shared between the Board, its Committees and the Company's key service providers.

On a semi-annual basis, through the Company's risk register and business risk assessment, the Audit and Risk Committee reviews the Company's risk profile, the effectiveness of mitigating controls and the appropriateness of the Principal Risks and Uncertainties and Emerging Risks. In doing so, it considers any developments that may affect the impact or likelihood of those risks and whether changes to the control environment are required.

The Board also determines the level and type of risk it is willing to accept in pursuit of the Company's investment objective - its "risk appetite". Risk appetite forms an integral part of the Company's risk management and internal controls framework and helps the Board in balancing risk and return, assessing the Company's Principal Risks and Uncertainties and the effectiveness of its risk management and internal controls framework.

The Committee's findings inform the Board's assessment of its risk appetite across the Company's strategic, financial, operational and financial crime risk categories,

taking into account changes in the Company's investment objective, strategy, external environment and overall risk profile. At the most recent assessment on 20 May 2026, the Board concluded that its risk appetite remained appropriate and that the Company's risk management and internal controls framework continued to operate effectively.

As part of its annual review, the Audit and Risk Committee took the opportunity to reassess the Company's Principal Risks and Uncertainties, having regard to the Company's strategy, portfolio, operating environment and overall risk profile, together with reports from the Investment Manager and other key service providers.

Following this assessment, the Board refreshed the presentation of the Principal Risks and Uncertainties to better reflect the Company's current risk profile and evolving market practice and the distinction between Principal Risks and Principal Uncertainties. The Board believes that the revised disclosures provide a clearer explanation of each Principal Risk, its potential impact, the key mitigating controls and the Board's assessment during the year, providing Shareholders with a more transparent understanding of the risks and uncertainties most relevant to the Company.

Principal Risks and Uncertainties

The Board considers a Principal Risk to be a risk, or combination of related risks, that could materially affect the Company's investment objective, business model, future performance, solvency, liquidity, reputation or long-term viability. In determining which risks are principal, the Board considers their potential impact, likelihood of occurrence and the time horizon over which they may crystallise. The Board recognises that not all risks, or risk categories, will necessarily give rise to a Principal Risk.

A Principal Uncertainty relates to external events or circumstances where future outcomes are inherently uncertain and largely outside the Company's control, but which could nevertheless have a significant impact on the Company. The Board monitors Principal Uncertainties alongside Principal Risks, recognising that they may develop into Principal Risks or alter the significance of existing risks.

Risk management and internal controls framework

Board of Directors

- Sets strategy and risk appetite;
- Assesses risks and mitigation; and
- Monitors performance.

Management Engagement Committee

- Oversees service providers;
- Evaluates performance of service providers; and
- Reviews service providers' annual questionnaires and control reports.

Audit and Risk Committee

- Monitors principal and emerging risks;
- Reviews reports from service providers; and
- Considers effectiveness of control environment.

External Auditor

Pricewaterhouse
Coopers ("PwC")


Oversight


Reporting

Investment Manager

Manulife | CQS Investment Management

Company Secretary, Administrator, Custodian, Banker and Depository

BNP Paribas S.A., Jersey Branch

Other service providers

- Singer Capital Markets (*Financial Adviser and Corporate Broker*);
- Computershare Investor Services (Jersey) Limited (*Registrar*); and
- Cardew Group (*Investor Relations Adviser*)

Risk Report

Continued

Principal Uncertainty	Board Oversight & Key Mitigating Controls	Current Assessment
Macroeconomic & Geopolitical Developments in the global macroeconomic and geopolitical environment remain inherently uncertain and largely outside the Company's control. Ongoing conflicts, evolving trade policies, political developments and changing monetary policy may adversely affect economic growth, inflation, interest rates, credit markets, market liquidity and investor sentiment, which could in turn affect the Company's portfolio and ability to achieve its investment objective.	▶ The Board receives regular macroeconomic and market updates from the Investment Manager. ▶ Portfolio positioning and sector exposures are reviewed at each Board meeting. ▶ The Investment Manager continually assesses market conditions and adjusts portfolio positioning where appropriate. ▶ The Board considers the potential impact of significant geopolitical and macroeconomic developments as part of its ongoing risk and investment oversight.	During the year, geopolitical tensions remained elevated, reflecting the continuing conflict in Ukraine, the escalation of hostilities between Israel and Iran, subsequent US military involvement and evolving global trade policies, including US tariffs. These developments continued to influence market volatility, inflation expectations, interest rate uncertainty and investor sentiment. Whilst markets have remained resilient and inflation moderated in several major economies, the Board considers the macroeconomic and geopolitical outlook to remain uncertain and continues to monitor this Principal Uncertainty closely.
Principal Risks	Board Oversight & Key Mitigating Controls	Residual Risk Assessment
Financial		
Market Risk Changes in credit spreads, interest rates, foreign exchange rates and broader market conditions adversely affect the value, income or liquidity of the Company's investment portfolio. <i>The Company's investment portfolio is exposed to movements in financial markets.</i>	▶ The Board relies upon the research capabilities of the Investment Manager and the people it employs that can use their expertise to build a portfolio, utilising diversification, to mitigate market risk to the extent possible. ▶ The Investment Manager manages the portfolio within the agreed investment policy and risk parameters. ▶ Portfolio diversification across issuers, sectors and securities reduces concentration risk. ▶ The Board reviews portfolio performance, market conditions and investment positioning at each Board meeting.	Notwithstanding continued macroeconomic uncertainty, the portfolio delivered a positive total return during the year, reflecting the Investment Manager's active portfolio management and diversified investment approach. <i>The Board therefore considers the residual risk to have remained stable.</i>

Principal Risks	Board Oversight & Key Mitigating Controls	Residual Risk Assessment
Credit & Refinancing Risk Loss arising from issuer default, downgrade or deterioration in credit quality, including the inability of issuers to refinance debt at maturity or on acceptable terms, particularly during periods of market stress. <i>The Company invests predominantly in below investment grade debt securities.</i>	▶ The Investment Manager performs detailed credit analysis before investment and monitors issuers throughout the holding period. ▶ Credit quality, covenant compliance and refinancing profiles are regularly reviewed. ▶ Portfolio diversification reduces exposure to individual issuers and sectors. ▶ The Board receives regular reports on portfolio credit quality, defaults and refinancing risks. ▶ Portfolio positioning is reviewed in light of macroeconomic conditions and credit market developments.	Credit conditions and refinancing activity were stable during the year and refinancing opportunities were available at lower rates. <i>The Board therefore considers the residual risk to have remained stable.</i>
Gearing Risk Gearing, also sometimes referred to as leverage, amplifies investment losses, reduces financial flexibility or results in covenant breaches or forced asset realisations under adverse market conditions. <i>The Company uses gearing to enhance shareholder returns.</i>	▶ The Board sets and regularly reviews gearing limits. ▶ Gearing levels and compliance with borrowing covenants are monitored monthly by the Administrator and Investment Manager. ▶ Compliance with loan covenants is reviewed by the Board at each meeting. ▶ Forecast liquidity and financing requirements are regularly assessed to maintain appropriate financial flexibility.	Gearing remained within Board-approved limits, with the Board approving an extension to its term financing. All borrowing covenants were complied with throughout the year. <i>The Board therefore considers the residual risk to have remained stable.</i>

Risk Report

Continued

Principal Risks	Board Oversight & Key Mitigating Controls	Residual Risk Assessment
Operational		
Key Person Risk The loss, incapacity or departure of key individuals involved in portfolio management, investment decision-making or business development adversely affects the Company's investment performance and ability to achieve its investment objective. <i>The Company's performance depends upon the experience, judgement and continuity of the professionals supporting it.</i>	▶ The co-portfolio managers are responsible for day-to-day portfolio management with investment decisions benefitting from oversight by the Investment Manager's Investment Committee. ▶ Succession and transition plans are maintained by the Investment Manager for key investment professionals. ▶ The Board regularly reviews the performance of the Investment Manager. ▶ The Management Engagement Committee undertakes an annual review of the Investment Manager's performance and resources. ▶ Ongoing engagement with senior investment professionals provides assurance over continuity and depth of expertise.	The appointment of a Co-Portfolio Manager marks the commencement of a planned and orderly succession process. While the transition remains ongoing, the Board is satisfied that the phased handover and depth of the wider investment team materially mitigate key person risk. <i>The Board therefore considers the residual risk to have decreased.</i>

Residual Risks	Board Oversight & Key Mitigating Controls	Residual Risk Assessment
Service Provider & Operational Resilience Risk Key third-party service providers, their systems or associated operational controls, including cyber security, data integrity, regulatory and compliance monitoring and operational resilience, fail to perform effectively, or that Board oversight is insufficient, resulting in financial loss, regulatory breach or reputational damage. <i>The Company relies entirely on external service providers for its operations.</i>	▶ The Board oversees all key service providers through regular reporting and formal service reviews. ▶ The Audit and Risk Committee reviews assurance reports or equivalent for key service providers annually. ▶ The Investment Manager operates a risk-based internal audit programme covering key operational processes. ▶ Cyber security, operational resilience and business continuity arrangements are regularly reviewed with key service providers. ▶ The Board receives regular reporting on cyber threats, material incidents and control enhancements. ▶ The MEC undertakes annual assessments of key service providers.	Whilst no material operational incidents occurred during the year, the evolving cyber threat landscape and increasing regulatory expectations, recognising that operational resilience remains an area of heightened attention, resulted in continued Board focus. <i>The Board therefore considers the residual risk to have remained stable.</i>

Emerging risks

During the year, the Board concluded that cyber security is no longer considered an emerging risk as cyber threats have become an established feature of the operating environment. They are monitored as part of the Company's ongoing Service Provider & Operational Resilience Risk through the Company's risk management and internal controls framework and regular oversight of key service providers.

The Board continues to monitor the evolving impact of artificial intelligence ("AI"), recognising both the opportunities and risks it presents for financial markets, investment management, cyber security, operational resilience and the Company's service providers. As the use of AI continues to develop, the Board will keep its potential implications under review and consider whether any changes to the Company's risk profile or internal controls framework are required.

Stakeholders – Section 172

Statement and Principal Decisions

In discharging their duties under Section 172 of the Companies Act 2006 and applying the principles of the 2024 AIC Code of Corporate Governance (the “AIC Code”), the Directors act in the way they consider, in good faith, would be most likely to promote the long-term sustainable success of the Company for the benefit of Shareholders as a whole, whilst having regard to the interests of stakeholders and the matters set out in Section 172(1).

The Board recognises that effective stakeholder engagement supports good decision-making and long-term value creation. Through regular engagement, the Board seeks to understand the views of its stakeholders and considers these, together with other relevant factors, when making decisions affecting the Company’s strategy, operations and future prospects.

As an externally managed investment company with no employees, the Company’s principal stakeholders comprise its Shareholders, the Investment Manager and other key service providers. The Board also recognises the importance of responsible stewardship and the consideration of ESG matters where relevant to the Company’s long-term success.

The table below explains who the Company’s principal stakeholders are, why they are important to the Company’s long-term success, how the Board engaged with them during the year and how those interactions informed the Board’s deliberations and principal decisions.

Principal Stakeholder	How the Board engages	Board consideration and outcomes
Shareholders Shareholders provide the capital that enables the Company to pursue its investment objective and strategy. <i>The Company’s long-term success depends on maintaining the confidence and support of its Shareholders.</i>	The Board maintained regular communication with Shareholders through daily NAV announcements, monthly factsheets, the Half-Yearly and Annual Reports, the AGM and investor presentations. The Board also received regular shareholder feedback through the Investment Manager and the Broker and met with major Shareholders where requested.	Dividend policy Shareholder expectations for a sustainable and progressive dividend alongside the Company’s earnings, revenue reserves, projected cash flows and long-term financial resilience were considered along with shareholder engagement allowing for informed discussions and the Company’s long-term strategy. <i>Following this review, the Board approved a modest increase in the fourth interim dividend, which it considered to be in the best interests of Shareholders.</i>

Principal Stakeholder	How the Board engages	Board consideration and outcomes
Investment Manager The Board seeks to maintain an open, constructive and appropriately challenging relationship with the Investment Manager to support the delivery of the Company's investment objective, while ensuring effective oversight, accountability and alignment with Shareholders' interests. <i>The Company's investment performance depends upon the expertise, judgement and continuity of the Investment Manager.</i>	The Board engaged in regular and constructive dialogue with the Investment Manager through Board meetings, ongoing discussions and a dedicated strategy day. These discussions covered investment performance, portfolio positioning, market developments, emerging risks, the Company's long-term strategy and future opportunities.	Investment performance, strategy and succession planning The Board considered the Investment Manager's succession planning arrangements, including the appointment of Darren Toner as Co-Portfolio Manager alongside Franco. <i>Following discussions with the Investment Manager, the Board concluded that the phased transition would support continuity of the investment process, facilitate knowledge transfer, mitigate key person risk and promote the Company's long-term success for the benefit of Shareholders.</i>
Other Key Service Providers & Governance Through regular engagement and oversight, the Board monitors the performance and effectiveness of its service providers and compliance function and seeks to ensure that they continue to meet the Company's operational needs and support its long-term success. <i>As an externally managed investment company with no employees, the Company relies on specialist third-party service providers.</i>	The Board engaged regularly with its key service providers and compliance function through written and verbal reports at each Board meeting, ongoing dialogue on operational, regulatory and governance matters, and the annual Management Engagement Committee review. The Management Engagement Committee also undertook its annual review of the performance of the Company's key service providers.	Loan facility and service provider oversight The Board approved the extension of the Company's £50 million borrowing facility with BNP Paribas London Branch to December 2026, having considered the Company's borrowing requirements, financing costs, liquidity and financial flexibility. <i>Following the annual Management Engagement Committee review, the Board remained satisfied with the performance of the Company's key service providers and concluded a satisfactory compliance evaluation during the reporting period.</i>

Stakeholders – Section 172

Statement and Principal Decisions

Continued

Principal Stakeholder	How the Board engages	Board consideration and outcomes
Wider Community and the Environment Through ongoing dialogue with the Investment Manager, the Board ensures ESG factors are incorporated into the investment process and monitored developments in responsible investment practices. Responsible stewardship and the consideration of ESG matters support the Company's long-term investment objectives and sustainable shareholder returns	The Board received regular updates on ESG integration, stewardship, climate related matters and relevant regulatory developments. In line with TCFD recommendations, the Investment Manager has prepared climate related financial disclosures which are available on the Company's website https://ncim.co.uk/wp/wp-content/uploads/2026/08/New-City-High-Yield-Fund-TCFD-Product-Level-Reporting-December-2025.pdf	Responsible stewardship The Board continued to oversee the integration of ESG considerations within the investment process through regular engagement with the Investment Manager. This provided assurance that ESG factors continued to be appropriately reflected in investment decision-making and stewardship activities, supporting effective risk management and the delivery of sustainable long-term shareholder returns.

Strategic Review

Introduction

This review is part of a Strategic Report being presented by the Company and is designed to provide information primarily about the Company's business and results for the year ended 30 June 2026. It should be read in conjunction with the Statement from the Chair and the Investment Manager's Review, which give a detailed review of the investment activities for the year and look to the future.

Principal activity and status

The Company is a closed-ended investment company and was incorporated with limited liability in Jersey under the Companies (Jersey) Law 1991 on 17 January 2007, with registered number 95691. In addition, the Company constitutes and is regulated as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988.

The Company's ordinary shares are listed on the Official List maintained by the Financial Conduct Authority ("FCA") and admitted to trading on the Main Market of the LSE.

Purpose and strategy

The purpose of the Company is to provide Shareholders with a high gross dividend yield and the potential for capital growth by mainly investing in high yielding fixed interest securities. To achieve this, the strategy of the Company is to follow the investment policy outlined below and to utilise the benefits of being a closed-ended investment vehicle.

Investment policy

The Company invests predominantly in fixed income securities, including, but not limited to, preference shares, loan stocks, corporate bonds (convertible and/or redeemable) and government stocks. The Company also invests in equities and other income yielding securities.

Exposure to higher yielding securities may also be obtained by investing in other closed-ended investment companies and open-ended collective investment schemes.

There are no defined limits on countries, size or sectors. The Company may therefore invest in companies regardless of country, size or sector and accordingly, the Company's portfolio is constructed without reference to the composition of any stock market index or benchmark.

The Company may, but is not obliged to, invest in derivatives, financial instruments, money market instruments and currencies for the purpose of efficient portfolio management.

There are no defined limits on listed securities and, accordingly, the Company may invest up to 100% of total assets in any particular type of listed security.

The Company may acquire securities that are unlisted or unquoted at the time of investment, but which are about to be convertible, at the option of the Company, into securities which are listed or traded on a stock exchange. The Company may continue to hold securities that cease to be listed or traded if the Investment Manager considers this appropriate. The Board has established a maximum investment limit in this regard of 10% (calculated at the time of any relevant investment) of the Company's total assets. In addition, the Company may invest up to 10% (calculated at the time of any relevant investment) of its total assets in other securities that are neither listed nor traded at the time of investment.

The Company will not invest more than 10% (calculated at the time of any relevant investment) of its total assets in other collective investment undertakings (open-ended or closed-ended).

The Board has established a maximum investment limit whereby, at the time of investment, the Company may not invest more than 5% of its total investments in the same investee company except for a maximum of 3 investee companies in which the Company can invest no more than 7.5% of its total investments at the time of investment.

The Company uses gearing and the Board has set a current limit that gearing will not exceed 25% of Shareholders' funds at the time of borrowing. This limit is reviewed from time to time by the Board.

The Investment Manager expects that the Company's assets will normally be fully invested. However, during periods in which changes in economic circumstances, market conditions or other factors so warrant, the Company may reduce its exposure to securities and increase its positions in cash, money market instruments and derivative instruments in order to seek protection from stock market falls or volatility.

Strategic Review

Continued

Investment approach

Investments are typically made in securities which the Investment Manager has identified as undervalued by the market and which it believes will generate above average income returns relative to their risk, thereby also generating the scope for capital appreciation. In particular, the Investment Manager seeks to generate capital growth by exploiting the opportunities presented by the fluctuating yield base of the market and from redemptions, conversions, reconstructions and take-overs.

Performance measurement and Key Performance Indicators (KPIs)

The Board uses a number of performance measures to monitor and assess the Company's success in meeting its objectives and to measure its progress and performance. The KPIs are as follows:

- **Dividend yield and dividend cover**

The Company pays four quarterly dividends each year and accordingly, the Board reviews the Company's dividend yield and dividend cover on a quarterly basis. For the year ended 30 June 2026, the Company's dividend yield was 8.73% (2025: 8.77%) based upon a share price of 51.80 pence (2025: 51.40 pence) (bid price) as at 30 June 2026 and its dividend cover was 1.03x (2025: 0.98x).

- **Revenue earnings and dividends per ordinary share**

The Company has opted to follow the AIC Statement of Recommended Practice ("SORP") and in accordance with the provisions of the AIC SORP, distinguishes its profits derived from revenue and capital items. The Company declares and pays its dividend out of only the revenue profits of the Company. The revenue earnings, whether generated this year or in previous years and held in revenue reserves, represent the total available funds that the Directors are able to make a dividend payment from. The Board reviews revenue forecasts on a quarterly basis in order to determine the quarterly dividend. In respect of the current financial year, the Company declared dividends of 4.52 pence (2025: 4.51 pence) per ordinary share out of revenue earnings per ordinary share of 4.64 pence (2025: 4.43 pence).

- **Ongoing charges**

The ongoing charges ratio represents the Company's management fee and all other operating expenses incurred by the Company expressed as a percentage of the average Shareholders' funds over the year. The Board regularly reviews the ongoing charges and monitors all Company expenses. The ongoing charges ratio for the year ended 30 June 2026 was 1.11% (2025: 1.17%).

The Board measures the Company's performance by reviewing the KPIs against their expectations of performance from their knowledge of the industry sector.

These KPIs fall within the definition of APMs under guidance issued by the European Securities and Markets Authority. Additional information explaining how these are calculated is set out in the APMs section on pages 95 to 97.

Going concern

The Company does not have a fixed winding-up date and therefore, unless Shareholders vote to wind-up the Company, Shareholders will only be able to realise their investment through the secondary market.

At each AGM of the Company, Shareholders are given the opportunity to vote on an ordinary resolution to continue the Company as an investment company. If any such resolution is not passed, the Board will put forward proposals at an extraordinary general meeting to liquidate or otherwise reconstruct or reorganise the Company. Given the performance of the Company, input from the Company's major Shareholders and its Broker and considering that 99% of the Shareholders' votes at the last AGM held on 4 December 2025, were in favour of the continuation of the Company, the Board considers it likely that Shareholders will vote in favour of continuation at the forthcoming AGM.

The Company's existing loan facility as detailed on page 80 is due to expire on 7 December 2026 after which it is anticipated the Company will take out a new facility on comparable terms. In the event that current liquid assets are insufficient, the Company has the ability to realise Level 1 assets as necessary to facilitate repayment of the loan in full.

After making enquiries of the Investment Manager and having considered the Company's investment

objective, nature of the investment portfolio, loan facility, expenditure projections and impact of the current geopolitical and market uncertainty on the Company, the Directors consider that the Company has adequate resources to continue in operational existence for at least

twelve months from the date of this report. For this reason, the Directors continue to adopt the going concern basis in preparing the Financial Statements, notwithstanding that the Company is subject to an annual continuation vote as described above.

Viability Statement

In accordance with the provisions of the AIC Code, the Directors have assessed the viability of the Company over a period longer than the 12 months required by the 'going concern' provision.

The Board considers three years to be an appropriate assessment period as it reflects the Company's strategic planning horizon, the Investment Manager's medium-term investment outlook and the period over which the Board undertakes detailed financial planning and stress testing, whilst recognising that the Company has an indefinite life.

In assessing the Company's prospects and viability, the Board considered the Company's investment objective and strategy, business model, capital structure, liquidity, borrowing arrangements, portfolio characteristics and the resilience of the Company's investment portfolio under a range of severe but plausible scenarios. The assessment also took into account the Board's annual strategy review with the Investment Manager, together with its review of the Company's Principal Risks, Principal Uncertainty and Emerging Risks, and the effectiveness of the mitigating controls supporting those risks.

The Directors do not expect any significant change to the Company's investment objective or strategy over the assessment period and believe that the Company's risk management and internal controls framework remains appropriate to manage the principal risks facing the Company.

The Board also considered that the annual continuation vote does not represent a material uncertainty over the assessment period, given the Company's continued shareholder support, ongoing demand for its shares and previous AGM voting.

The Principal Risks considered most relevant to the Company's viability were Market Risk, Credit & Refinancing Risk, Gearing Risk, Key Person Risk and

Service Provider & Operational Resilience Risk, together with the Principal Uncertainty relating to macroeconomic and geopolitical developments.

When considering the risk of under-performance, the Board assessed a range of severe but plausible scenarios, including significant market falls, widening credit spreads, issuer defaults and refinancing events, reductions in portfolio income, compliance with borrowing covenants, the continued availability of financing, operational disruption at key service providers and the potential impact on the Company's ability to continue meeting its investment objective and maintaining dividend payments.

When considering the Company's financial resilience, the Board reviewed forecast revenue, expenses, cash flows, covenant compliance and borrowing capacity, together with the liquidity and diversification of the investment portfolio. The Board concluded that the Company's diversified portfolio, together with its financial flexibility, provides resilience against adverse market conditions and enables it to respond appropriately to changing market circumstances.

The Company's £50 million borrowing facility with BNP Paribas is due to mature on 7 December 2026. In assessing viability, the Board considered the maturity profile of the facility and concluded that there is a reasonable expectation that appropriate financing will continue to be available, having regard to the Company's financial position, covenant headroom and previous refinancing experience.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period from the date of approval of this Report and believe that the Company's investment strategy will continue to serve Shareholders well over the longer term.

Strategic Review

Continued

Social, community, human rights, employee responsibilities and environmental policy

The Directors recognise that their first duty is to act in the best financial interests of the Company's Shareholders and to achieve good financial returns against acceptable levels of risk, in accordance with the objectives of the Company. In asking the Company's Investment Manager to deliver against these objectives, the Board has also requested that the Investment Manager takes into account the broader social, ethical and environmental issues of companies within the Company's portfolio, acknowledging that companies failing to manage these issues adequately run a long-term risk to the sustainability of their businesses.

Greenhouse gas emissions

The Board recognises its impact on the environment, including greenhouse gas emissions through the underlying portfolio companies which it invests in. The Board requested that ESG factors be incorporated into the Company's investment strategy and further details on ESG can be found on page 50.

Modern slavery

The Company would not fall into the scope of the UK Modern Slavery Act 2015 (as the Company does not have any turnover derived from goods and services) if it was incorporated in the UK. Furthermore, as a closed-ended investment company, the Company has a non-complex structure, no employees, and its supply chain is considered to be low risk given that suppliers are typically professional advisers based in either the Channel Islands or the UK. Based on these factors, the Board determined that it is not necessary for the Company to make a slavery and human trafficking statement.

By Order of the Board

Caroline Hitch
Chair

17 September 2026







Directors' Reports and Governance Reports

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

Caroline Hitch
Chair



The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable laws and regulations. Companies (Jersey) Law 1991 requires the Directors to prepare financial statements for each financial year. Under this law, they have elected to prepare the Financial Statements in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and applicable law.

Under Companies (Jersey) Law 1991, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these Financial Statements, the Directors are required to:

- ▶ select suitable accounting policies and apply them consistently;
- ▶ make judgements and estimates that are reasonable, relevant and reliable;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- ▶ assess the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- ▶ use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with Companies (Jersey) Law 1991. They are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are

reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information, including the Financial Statements, made available on the Company's website at <https://ncim.co.uk/cqs-new-city-high-yield-fund-ltd/> which is maintained by the Company's Investment Manager. Legislation in Jersey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on pages 40 to 42, confirms that he/she complied with the above requirements and to the best of that Director's knowledge:

- ▶ the Financial Statements, prepared in accordance with the IFRS as adopted by the EU, give a true and fair and balanced view of the assets, liabilities, financial position and profit or loss of the Company;
- ▶ the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces; and
- ▶ the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Caroline Hitch
Chair

17 September 2026

Board of Directors and Investment Manager



Caroline Hitch
Independent
Non-Executive Chair

Appointed: March 2018

Skills: Caroline has extensive fund management skills including managing specialist fixed income portfolios. She has a deep understanding of investment risk and risk management both as it applies to individual assets and to overall portfolio construction. She developed her skills of investment trust board governance through many years of managing regulated funds, reporting to their boards and then becoming a board member (and now Chair) herself.

Experience: Caroline joined the board after working in the financial services industry since the early 1980s mostly with the HSBC group. Her experience includes Head of Wealth Portfolio Management at HSBC Global Asset Management (UK)

Limited with investment responsibility for their flagship multi asset retail funds. Prior roles included specialization in institutional fixed income portfolio management. She has worked in London, Jersey, Monaco and Hong Kong. Caroline is a UK resident.

Other public company directorships:
None

Shared Directorships with any other Fund Directors: None



Ian Cadby
Independent Non-Executive
Director, Chair of the
Nomination Committee,
Chair of the Remuneration
Committee, and Senior
Independent Director

Appointed: January 2017

Skills: Ian is a Chartered Fellow of the Chartered Institute for Securities & Investment and a Fellow (Chartered Director) of the IoD. His extensive governance experience on public and private company boards as well as a long career as a regulated person (CF3, CF2 and CF1 controlled functions) in the asset management industry gives him a broad and relevant skill set for the Board.

Experience: Ian has over 30 years' experience within the financial services industry in London, Hong Kong, Singapore and Jersey with a strong career emphasis on equity and equity derivative trading, risk management, corporate governance and board strategy. Ian is a Jersey resident.

Other public company directorships:
Non-executive Director of Schroder AsiaPacific Fund plc

Shared Directorships with any other Fund Directors: None



Andrew Dann
Independent Non-Executive
Director and Chair of the
Audit and Risk Committee

Appointed: February 2025

Skills: Andrew is a Chartered Accountant with significant experience within the financial and non-financial sectors, including reporting to and discussions with Audit Committees and Boards, experience of private equity and real estate sectors, with strong regulation and corporate governance knowledge, including ESG.

Experience: Andrew was a previous Chairman and Managing Partner at Ernst & Young Channel Islands and has over thirty years' experience with local and international financial services clients, including regulated funds, fiduciary services businesses, and investment management structures. He is a Fellow of the Institute of Chartered Accountants of England and Wales since 1987.

Other public company directorships:
None

Shared Directorships with any other Fund Directors: None



John Newlands
Independent Non-Executive
Director and Chair of the
Management Engagement
Committee

Appointed: October 2017

Skills: John's 20-plus years' career as an investment company analyst, with a particular focus upon the UK wealth management sector, gives the Board an important insight into the investment requirements and processes of the types of investor, whether private or institutional, most likely to consider the Company for inclusion in their portfolios. He is also skilled in the assessment of potential peer group funds, both in terms of relative performance and other quantitative data and in the increasing focus upon governance and stewardship matters as pre-requisites for investment.

Experience: John joined the Board shortly after working in the managed funds sector since the mid-1990s, having spent ten years as Head of Investment Companies Research at Brewin Dolphin Limited. He was a member of the AIC Statistics' Committee from 2000 to 2017 and was a member of the Citywire

Investment Trust Performance Awards Panel from 2018 until 2024. He holds a Master's in Business Administration from Edinburgh University Business School and is a Chartered Electrical Engineer dating to his prior career as a Weapon Engineer Officer in the UK Royal Navy. He has written four books about financial history, the most recent charting the history of The Scottish American Investment Company plc. John is a UK resident.

John will retire at the Company's upcoming AGM and will not stand for re-election.

Other public company directorships:
Develop North plc and Gabelli Merchant Partners plc

Shared Directorships with any other Fund Directors: None

Board of Directors and Investment Manager

Continued



Joanna Dentskevich
Independent Non-Executive Director

Appointed: February 2026

Skills: Ms Dentskevich has a BSc (Hons) in Maths and Accounting. She brings extensive expertise in investment risk, corporate governance, financial oversight and the governance of listed investment funds, providing the Board with strong experience in risk management, strategic decision-making and Board governance.

Experience: Ms Dentskevich has over 35 years' international financial services experience spanning investment banking, alternative investments and the offshore funds industry. She held senior roles at Morgan Stanley and Deutsche Bank before becoming Chief Risk Officer of a London-based hedge fund. She has over a decade of experience as an

independent Non-executive director of listed investment funds and regulated financial services businesses. She previously served as a Non-executive director of GCP Asset Backed Income Fund Ltd and EJP Investments Ltd, companies listed on the LSE.

Other public company directorships: None

Shared Directorships with any other Fund Directors: None

Investment Manager

Manulife | CQS Investment Management has been appointed as Investment Manager to the Company under an Investment Management Agreement dated 18 September 2019. Prior to this, the Company's Investment Manager was CQS Cayman Limited Partnership.

Ian Francis has day-to-day responsibility for managing the Company's portfolio and is supported by the Manulife | CQS Investment Management team. He joined the New City Investment Management team in 2007. He has over 40 years' investment experience, primarily in the fixed interest and convertible spheres and his career has included Collins Stewart, West LB Panmure, James Capel and Hoare Govett.

Darren Toner was appointed as Co-Portfolio Manager on 21 May 2026. He is a Co-Portfolio Manager of the CQS Dynamic Credit Multi Asset Fund. He is Assistant Portfolio Manager of the CQS Credit Multi Asset Fund and bespoke

Multi Asset Credit mandates. Darren is also a member of the Multi Asset Credit Asset Advisory Committee. Darren joined CQS in 2010. Prior to this, he worked at GE Capital in London within the leveraged finance business, having joined the firm's graduate scheme in 2005.

Alternative Investment Fund Managers Directive (AIFMD)

The Company has appointed Manulife | CQS Investment Management as the Company's AIFM. The AIFM has received its approval from the FCA to act as AIFM of the Company. The Company is therefore fully compliant. An additional requirement of the AIFMD is for the Company to appoint a depositary, which will oversee the custody and cash arrangements and other AIFMD required depositary responsibilities. The Board has appointed BNP Paribas to act as the Company's depositary.

Further AIFMD disclosures are shown on page 103.

Directors' Report

The Directors present their report and the audited Financial Statements for the year ended 30 June 2026.

Results and dividends

Details of the Company's results and dividends are shown on page 6 of this report.

Dividend policy

Subject to market conditions and the Company's performance, financial position and financial outlook, it is the Directors' intention to pay an attractive level of dividend income to Shareholders on a quarterly basis. The Company intends to continue to pay all dividends as interim dividends. A resolution to approve the Company's dividend policy will be proposed at the next AGM.

Bank loan facility

The Company has a short-term unsecured loan facility with BNP Paribas, London Branch. As at the year-end, the unsecured loan facility had a limit of £50,000,000 of which £40,000,000 was drawn down. Refer to note 11 for further details.

The Company's existing loan facility is due to expire on 7 December 2026 after which it is anticipated the Company will take out a new facility on comparable terms.

Share capital

As at 30 June 2026, there were 690,451,858 (2025: 617,701,858) ordinary shares in issue. During the year ended 30 June 2026, the Company issued 72,750,000 (2025: 66,250,000) ordinary shares. Refer to note 13 for more details.

Acquisition of own shares

At the 2025 AGM held on 4 December 2025, the Directors were granted authority to repurchase ordinary shares (being equal to 14.99% of the aggregate number of ordinary shares in issue at the date of the AGM) for cancellation, or to be held as treasury shares. This authority, which has not been used, will expire at the upcoming AGM. The Directors intend to seek annual renewal of this authority from Shareholders.

Directors' shareholdings

The Directors who held office at the year-end and their interests in the ordinary shares of the Company are as follows:

	At 30 June 2026	At 30 June 2025
Caroline Hitch¹	261,500	211,500
Ian Cadby	25,000	25,000
Andrew Dann	50,000	25,000
Joanna Dentskevich²	39,180	n/a
John Newlands	40,000	10,000
Wendy Dorman³	n/a	245,381

1 inclusive of 41,500 shares held by Caroline Hitch's mother.

2 Joanna Dentskevich was appointed to the Board on 1 February 2026.

3 Wendy Dorman retired from the Board on 4 December 2025.

On 8 April 2026, Caroline Hitch purchased an additional 50,000 ordinary shares.

On 21 May 2026, Joanna Dentskevich purchased 39,180 ordinary shares.

On 24 June 2026, John Newlands purchased an additional 30,000 ordinary shares.

On 30 June 2026, Andrew Dann purchased an additional 25,000 ordinary shares.

There were no other changes in the ordinary share holdings of the Directors between 1 July 2026 and 17 September 2026, except the below:

- On 17 July 2026, Ian Cadby purchased an additional 26,000 ordinary.
- On 23 July 2026, Mrs C.E. Newlands (John Newlands' wife) purchased 40,000 ordinary shares.

Substantial interests in share capital

During the year ended 30 June 2026, the Company had not been notified in accordance with Chapter 5 of the UK Listing Authority's Disclosure Guidance and Transparency Rules (which covers the acquisition and disposal of major shareholdings and voting rights) of Shareholders that had an interest of greater than 5% in the Company's issued share capital.

Directors' Report

Continued

Investment management

As part of its strategy for achieving its objectives, the Board has delegated the management of the investment portfolio to the Investment Manager, Manulife | CQS Investment Management, with Ian Francis and Darren Toner as the fund managers. Further details are provided in note 23.

At each quarterly Board meeting, the Board receives a presentation from the Investment Manager which includes a review of investment performance, portfolio activity and market outlook. The stock selection emphasis adopted by the Investment Manager is on each holding's unique characteristics rather than any benchmark weightings.

Appointment of the Investment Manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis and a formal review is conducted annually by the Management Engagement Committee. As part of the annual review the Management Engagement Committee considers the continuity of the team, the investment process and the results achieved to date.

The Board believes that the continuing appointment of Manulife | CQS Investment Management as AIFM and Investment Manager as set out on page 42 is in the interests of Shareholders as a whole.

Administration services

BNP Paribas is the Company Secretary, Administrator, Custodian, Banker and Depository.

Independent Auditor

PwC was appointed as the Company's auditor in July 2023 (the "Auditor"). A resolution to re-appoint PwC as the Company's auditor will be proposed at the Company's 2026 AGM.

Delegation of responsibilities and matters reserved for the Board

The Board has delegated the exercise of voting rights attached to the Company's investments to the Investment Manager. All other matters are reserved for the approval of the Board.

The Board maintains a schedule of matters reserved to it for decision and the requirement for Board approval on these matters, reviewed on an annual basis, is communicated directly to the Investment Manager. Such matters include strategy, borrowings, treasury and dividend policy. Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the Financial Statements, performance and revenue budgets.

Exercise of voting powers

The Investment Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights in respect of investee companies. The underlying aim of exercising such voting rights is to protect the return from an investment.

Disclosures required under Listing Rules (UKLR) 6.6.1R

The FCA's UKLR 6.6.1R requires that the Company includes certain information relating to arrangements made between a controlling shareholder and the Company, waivers of Directors' fees and long-term incentive schemes in force. The Directors confirm that there are no disclosures to be made in this regard.

Events after reporting date

The Board has evaluated material subsequent events for the Company occurred during the period from 1 July 2026 through to 17 September 2026 and their effect on the Financial Statements. A list of these events is disclosed in note 25.

Disclosure of information to the Auditor

The Directors confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's Auditor is unaware and the Directors have taken all the steps that they might have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Statement regarding Annual Report and Financial Statements

Following a detailed review of the Annual Report and Financial Statements by the Audit and Risk Committee, the Directors consider that taken as a whole, it is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Financial Statements has a reasonable level of knowledge of the investment industry in general and investment companies in particular.

By Order of the Board

**Caroline Hitch
Chair**

17 September 2026

The Board and Committees

Values and culture

The Board conducts itself with the core values of integrity, transparency, acceptance of challenge and accountability. It achieves this through a collaborative culture and a sense of shared endeavour. The Board is focused on meeting objectives for investors and all other stakeholders of the Company in a sustainable and responsible way.

The Board

The Board currently consists of a Non-executive Chair and four Non-executive Directors. The Board considers all Directors as independent of the Investment Manager and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. All Directors are members of the Company's four Committees.

The dates on which the Directors were appointed are contained within their biographies shown on pages 40 to 42. In accordance with the AIC Code, all Directors submit themselves for re-election on an annual basis.

New Directors receive an induction from the Company Secretary on joining the Board and all Directors receive ongoing relevant training as necessary. Directors' and

Officers' liability insurance cover is maintained by the Company on behalf of the Directors. There is no notice period and no provision for compensation upon early termination of appointment.

The Company has neither executive Directors nor employees. A management agreement between the Company and its Investment Manager sets out the matters over which the Investment Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing and corporate governance procedures, are reserved for the approval of the Board.

Ian Cadby is the Company's Senior Independent Director. He supports the Chair and is available to Shareholders if they have concerns and where contact through the normal channels with the Chair or the Investment Manager is inappropriate.

All Committees' terms of reference, the schedule of matters reserved for the Board, the roles and responsibilities of the Chair and Senior Independent Director are available on the Company's website.

Director attendance

Directors have attended Board and Committee meetings during the year ended 30 June 2026 as follows:

	Quarterly Board meetings	Ad Hoc Board meetings ¹	Audit and Risk Committee meetings	Management Engagement Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
Caroline Hitch (Chair)	4/4	6/6	3/3	1/1	2/2	1/1
Ian Cadby	3/4	6/6	3/3	1/1	2/2	1/1
Wendy Dorman²	1/2	2/2	1/1	0/0	0/0	0/0
Andrew Dann³	4/4	6/6	3/3	1/1	2/2	1/1
Joanna Dentskevich⁴	2/2	2/2	1/1	1/1	1/1	1/1
John Newlands	4/4	6/6	3/3	1/1	2/2	1/1

1 Ad hoc board meetings are sometimes called at short notice and only require the attendance of Jersey based directors, where possible the UK based directors attend via telephone but do not count towards the quorum.

2 Wendy Dorman retired from the Board on 4 December 2025.

3 Andrew Dann was appointed as the Chair of the Audit and Risk Committee on 4 December 2025.

4 Joanna Dentskevich was appointed to the Board on 1 February 2026.

Nomination Committee

The Nomination Committee, chaired by Ian Cadby, operates within clearly defined terms of reference, and is convened for the purpose of annual Board performance reviews as well as to consider the appointment of additional Directors as and when considered appropriate. In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board, which is monitored through a skills matrix and succession planning.

Board performance review

During 2026, the Board undertook an internally facilitated Board performance review which comprised a detailed questionnaire-based assessment of Board effectiveness, composition, governance and committee oversight. In

light of recent and anticipated changes during 2026 to Board composition, the Directors have agreed that the next externally facilitated Board performance review will be commissioned during 2027, enabling the review to assess the effectiveness of the Board following the integration of new directors.

Diversity and inclusion

The Board believes in the benefits of having a diverse range of skills and backgrounds and the need to have a balance of experience, independence, diversity (including gender and ethnicity) and knowledge of the Company on its Board and are endeavouring to meet diversity targets.

The below tables set out the Board's composition as at 30 June 2026 in terms of gender identity and ethnic background compared to the targets prescribed by UKLR 6.6.6R (9)(a).

		Senior positions on the Board (Senior Independent Director, Chair of Audit and Risk Committee and Chair)
Number of Board members	Percentage of the Board	
Men: 3	60%	Ian Cadby – Senior Independent Director Andrew Dann – Chair of the Audit and Risk Committee
Women: 2	40%	Caroline Hitch – Chair of the Board

	Number of Board members	Percentage of the Board	Senior positions on the Board (Senior Independent Director, Chair of Audit and Risk Committee and Chair)
White British or other White (including minority-white groups)	5	100%	Caroline Hitch – Chair of the Board Ian Cadby – Senior Independent Director Andrew Dann – Chair of the Audit and Risk Committee

The Company meets the target that 40% of Board members are female as prescribed by UKLR 6.6.6R (9)(a). At least one of the female directors needs to have a senior position within the Board. The role of Chair of the Board, being a senior position, is held by a woman.

At present none of the Board members are from minority ethnic backgrounds which is below the target of one prescribed by UKLR 6.6.6R (9)(a). The Board is mindful of this requirement and, alongside knowledge and expertise, remains a key target consideration when the Board next recruits. The Nomination Committee has built diversity targets into its succession plans.

The Board and Committees

Continued

Director re-election and tenure

It is the intention of the Board that each Director will retire after no longer than nine years in their role and the Board has adopted a policy whereby all Directors will be put up for re-election every year in line with the AIC Code.

Accordingly, all Directors will be put forward for re-election at the forthcoming AGM, with the exception of Joanna Dentskevich who will be put forward for election for the first time, and John Newlands who is set to retire and not stand for re-election.

Succession planning

A key duty of the Nomination Committee is to ensure plans are in place for orderly succession to the Board. The Board has adopted a succession plan to allow for an orderly refreshment of the Board whilst minimising any impact on Board quality and experience, with the intention that no director serves longer than nine years, other than in exceptional circumstances. Our succession planning takes into account gender and ethnic diversity targets.

Having served on the Board for nine years, Wendy Dorman retired from the Company at the last AGM held on 4 December 2025. Andrew Dann replaced her as the Chair of the Audit and Risk Committee on 4 December 2025.

The Committee commenced a recruitment process with the intention to identify candidates for Board succession in 2026. The Board engaged Thomas & Dessain, a specialist Jersey recruitment consultant, to manage the process. Through a proper and thorough process, Joanna Dentskevich was appointed as a Non-executive Director of the Company on 1 February 2026. Thomas & Dessain had no other connections to the Company or any individual Director. The recruitment processes focused not only on the qualifications of each candidate but also on each candidate's independence and ensuring that no appointment would create conflicts of interest.

Both Ian Cadby and John Newlands reached the recommended nine-year tenure limit at the December 2026 AGM. To avoid the simultaneous departure of two long-serving directors and ensure an orderly succession that preserves board stability and 'corporate memory', the Board conducted a review of succession options. Following this assessment, the Board agreed that John Newlands will retire and not stand for re-election at the Company's upcoming AGM, while Ian Cadby's tenure will be extended for a limited period of one year. To support this transition, the Committee has engaged Longwater Partners, an independent search firm, to manage a structured recruitment process for a new independent Non-Executive Director.

Management Engagement Committee

The Management Engagement Committee is chaired by John Newlands and operates within clearly defined terms of reference, it reviews the appropriateness of the Investment Manager's continuing appointment together with the terms and conditions thereof and reviews the terms and quality of service received from its other main service providers.

The Board ensures that the Company adheres to independence requirements in all agreements and service contracts.

Remuneration Committee

The Remuneration Committee is chaired by Ian Cadby and determines and agrees with the Board the policy for the remuneration of all Directors on an annual basis, considering annual inflation rates, and compares respective director and committee chair fee levels against peer companies.

Audit and Risk Committee

The composition and role of the Audit and Risk Committee is described on page 52.

Relations with Shareholders

The Directors place considerable importance on communication with Shareholders. The Annual Report and Financial Statements are widely distributed to other stakeholders and parties who have an interest in the Company's performance. The Directors obtain regular feedback from the Investment Manager and Broker regarding shareholder engagement and make themselves available to Shareholders upon request. Shareholders and investors may obtain up to date information on the Company through its own, or the Investment Manager's website. The Company responds to letters from Shareholders on a wide range of issues and invites questions at the Company's AGM.

A regular dialogue is maintained with the Company's institutional Shareholders. The Company Secretary is available to answer general Shareholder queries at any time throughout the year.

By Order of the Board

Caroline Hitch
Chair

17 September 2026

Statement of Compliance with the AIC Code

Introduction

The Company is listed on the main market of the London Stock Exchange and is therefore required to report on how the principles of the UK Code have been applied. Being an investment company, a number of the provisions of the 2024 UK Corporate Governance Code (the “UK Code”) are not applicable as the Company has no executive directors or internal operations.

The Board has considered the principles and provisions of the AIC Code. The AIC Code addresses all the principles, provisions, and obligations set out in the UK Code, as well as additional provisions on issues that are of specific relevance to the Company as an investment company.

The Board considers that reporting against the principles and provisions of the AIC Code provides more relevant information to stakeholders than those of the UK Code. The AIC Code is available on the AIC’s website www.theaic.co.uk.

The Company has complied with all the principles and provisions of the AIC Code during the year ended 30 June 2026 and as such, has met its obligations in relation to the UK Code.

Set out to the right-hand side of this page is where stakeholders can find further information within the Annual Report about how the Company has complied with the various Principles and Provisions of the AIC code.

	Pages
1. Board leadership and purpose	
Purpose	31
Strategy	31
Values and culture	46
Shareholder engagement	28
2. Division of responsibilities	
Director independence	46
Board meetings	46
Relationship with Investment Manager	44
Management Engagement Committee	48
3. Composition, succession and evaluation	
Nomination Committee	47 to 48
Director re-election	48
Use of an external search agency	48
Board evaluation	47
4. Audit, risk and internal control	
Audit and Risk Committee	52 to 55
Emerging and principal risks	22 to 27
Risk management and internal controls systems	54 to 55
Going concern statement	32 to 33
Viability statement	33
5. Remuneration	
Directors’ remuneration report	56

Environmental, Social and Governance Statement

Introduction

The Company is a Jersey-incorporated, closed-ended investment company whose ordinary shares are listed on the Main Market of the London Stock Exchange whose objective is to provide investors with a high gross dividend yield and the potential for capital growth by mainly investing in high yielding fixed interest securities. The Board fully supports the growing importance placed on ESG factors when asking the Company's Investment Manager to deliver against the Company's objectives. The Board has requested that the Investment Manager takes into account the broader social, ethical and environmental issues of companies within the Company's portfolio, acknowledging that companies failing to manage these issues adequately run a long-term risk to the sustainability of their businesses.

Manulife | CQS Investment Management Responsible Investment Policy incorporating our ESG Statement

MCQS views environmental, social and governance ("ESG") factors as potential drivers of credit risk that may influence financing costs, risk assessment valuations and performance of the issuers in whom MCQS managed funds and/or mandates invest. We believe that an active approach to stewardship and investing sustainably are vital factors in creating long-term value for our clients. MCQS has integrated ESG factors into the Firm-wide five-stage responsible investment integration process. ESG considerations are embedded into the bottom-up fundamental analysis undertaken by our Research Analysts throughout our process, and by our Portfolio Managers in the investment decision-making process.

To enhance our stewardship efforts, we are active members, signatories and participants in key initiatives that foster best practice. MCQS is a signatory to, and supporter of, a number of organisations which drive process, action and disclosure. This includes the United Nations PRI, Climate Action 100+ and CDP. In addition, as a signatory to the UK Stewardship Code and public supporter of TCFD, we report annually, demonstrating stewardship, engagement activity and publishing annual product level climate reporting.

We have also moved to align with a number of sustainability policies and statements adopted by our parent company Manulife Investment Management ("MIM"). We believe this strengthens our process and accountability of ESG risks and opportunities. At the time of writing 43.3% of the Company's portfolio is covered by Morgan Stanley Capital International ("MSCI") for their ESG rating service. MSCI has a minimum 50% threshold for fixed interest portfolios before the Investment Manager is able to provide a meaningful MSCI ESG fund rating for the portfolio. The Investment Manager monitors this closely and engages to try and further increase the percentage of the portfolio covered.

More broadly, engagement is part of a wider approach to the assessment and integration of ESG factors and evidencing stewardship outcomes. During the year, we updated our engagement framework specifically to create a more forward-looking strategic approach, which more closely aligns to long-term themes that reflect the priorities of investors, corporate issuers and industry initiatives. Additionally, this considers increasingly important issues relevant to Research Analysts in their assessment of their respective coverage sectors, and more closely aligns us to the engagement priorities adopted by MIM.

Our strategic engagement campaigns focus on four material sustainability themes which are central to our active ownership strategy: Climate; Natural Capital; Responsible Technology; and Human Capital. We consider these themes to be material drivers of long-term value, reflecting the combined perspective of investment professionals across the Firm. For each theme, we see a number of underlying mega-trends, which we consider pivotal to help us identify long-term systemic risks and address key ESG factors. These themes may often interconnect, and understanding these connections helps further deepen our corporate engagement.

During the year, we also continued to make progress with our Climate Targeted Engagement Programme, which we formalised in 2022, and is a key component for the monitoring and review of Fund-level financed emissions. As part of our climate strategy, a key objective of our Targeted Engagement Programme is to engage issuers to push for improved environmental data disclosure, and to encourage companies to adopt comprehensive climate transition

plans which have emissions reduction targets that are externally verified using science-based methodologies, such as those from the Science Based Target initiative (SBTi).

In addition, we recognise that collaborative engagement can be a lever for managing climate change-related risk and supporting real economy emissions reduction, where appropriate, via participation in industry initiatives. We also value engagement with stakeholders through industry groups that support partnering with companies to understand and address investment risks, including systemic-level stewardship risks.

For example, we continue to participate in CDP's Non-Disclosure Campaign, targeting 9 companies to encourage for improvement in enhanced environmental reporting covering climate and nature themes. We also remain signatory of the IIGCC, a collaborative platform for asset managers and asset owners focused on environmental action through policy advocacy, corporate engagement and lobbying. Some of our participation in the period includes providing our input and views on the deforestation investor group, joining consultations on the 'engage series' research programme and sharing feedback on defining the concept of 'Systems Stewardship'.

Manulife | CQS Investment Management has published its Responsible Investment Policy and a link to that policy is found here:

<https://www.manulifeim.com/content/dam/mim-institutional/global/documents/resources/cqs-policies-and-procedures/2025-03-mcqs-responsible-investment-policy.pdf>

Report of the Audit and Risk Committee

Membership and meetings

The Audit and Risk Committee (the "Committee") is chaired by Andrew Dann and comprises the full Board. Committee members are considered to have recent and relevant financial experience. The terms of reference of the Committee, which is available on the Company's website, are reviewed and re-assessed for their adequacy on an annual basis.

The AIC Code requires audit committees who include the Chair of the Board as a member of the Committee to explain why this is felt to be appropriate. The Chair, Caroline Hitch, is a member of the Committee and was considered independent upon appointment and the Committee is satisfied that she remains independent and objective. Her membership of the Committee is deemed appropriate given the size and nature of the Company and the Committee does not believe that her membership compromises the integrity of the Committee or the Board.

The Committee held three scheduled meetings during the year. Meetings were attended, by invitation, by the Investment Manager, external Auditor and members of the client service team of the Administrator.

As part of the annual Board performance review, a review of the work of the Committee was carried out during the year and was evaluated to be operating effectively.

Role of the Audit and Risk Committee

The Committee manages the Company's relationship with its external Auditor and assists the Board in carrying out its responsibilities in relation to financial reporting requirements as well as its review and maintenance of an effective risk management and internal controls framework.

A summary of the key functions conducted by the Committee during the year includes but are not limited to, the following:

- ▶ reviewed the Company's risk management and internal controls framework and its effectiveness, and identified and disclosed those risks considered to be significant to, amongst others, its financial, operational, reporting and compliance controls;
- ▶ monitored the fairness, integrity, and balance of the half-yearly and annual Financial Statements of the Company and considered any significant financial reporting issues and judgments contained therein, and challenged where necessary, the actions and judgements of the Investment Manager, the Company Secretary and the Administrator;
- ▶ advised the Board on whether the Committee believed that the annual report and Financial Statements, taken as a whole, was fair, balanced and understandable and provided the information necessary for Shareholders to assess the Company's strategy, business model, position and performance;
- ▶ followed matters set out in the Financial Reporting Council's (FRC) 'Audit Committees and External Audit: Minimum Standard', which included but were not limited to the following:
 - ▶ regularly met with the external Auditor to review their proposed audit plan and assessed the effectiveness of the audit process and the level of fees paid in respect of the audit;
 - ▶ assessed the external Auditor's independence, objectivity, effectiveness, quality, resources and expertise;
 - ▶ assessed the Auditor's understanding of the Company's business and whether recommendations have been acted upon;
 - ▶ reviewed and considered its non-audit services policy; and
 - ▶ the appropriateness of the Company's accounting policies.
- ▶ ensured that the auditor had full access to Company records; and
- ▶ reported to the Board on how it has discharged its responsibilities.
- ▶ a robust assessment of the Company's emerging and principal risks, including changes to the probability and likelihood of a risk materialising, taking into account mitigations in place, and considering and tracking emerging risks that could impact over time;

Significant risks related to the Financial Statements

The valuation of investments was a key area of focus given their significance to the Financial Statements as a whole. Following discussion with the Investment Manager and external Auditor, the Committee gained comfort over the valuation as included in the Annual Report and Financial Statements.

The valuation of investments is undertaken in accordance with the accounting policies as set out in note 1. Details of the fair value hierarchy are set out in note 22.

In order to address this risk, the Company has appointed an Investment Manager and Custodian with clearly defined contracts and any breaches of these, or any law or regulation which the Company is required to comply with, are reported to the Board. The portfolio holdings and their pricing are reviewed daily and verified by the Investment Manager.

A full portfolio analysis is prepared and presented at each quarterly Board meeting, including a detailed movement of the top 60 holdings, which is actively commented on and discussed by the Directors.

External audit process

As part of its duty in meeting the 'Audit Committees and the External Audit: Minimum Standard', the Committee formally met with the Auditor prior to the commencement of the audit to agree an audit plan that would adopt a risk-based approach to align its work with how the Board assesses the risks of the Company and the controls and processes in place to mitigate against such risks. The Committee and the Auditor agreed that a significant portion of the audit effort would include an examination of the procedures and accounting policies in place at the Administrator and Investment Manager level in respect of the valuation of the Company's investments. Other areas of focus included management override of controls, ownership of investments, and recognition of investment income.

Following the conclusion of the audit, the Committee considered the standard and effectiveness of the audit and concluded that the audit had been effective and of a sufficiently high standard based on the following grounds:

- ▶ the audit plan had been met;
- ▶ the Auditor demonstrated a good understanding of the Company's business;
- ▶ the audit team demonstrated good character and knowledge;
- ▶ no risks to audit quality had been identified;
- ▶ the Auditor demonstrated a robustness of process and perceptiveness in handling key judgements and responding to questions from the Committee; and
- ▶ all issues that arose during the audit were satisfactorily resolved.

Non-Audit Services

The Company maintains a Non-Audit Services Policy to ensure that the provision of non-audit services by the Company's external auditors do not impair the independence or objectivity of the external auditors.

The provision of non-audit services by the Company's external auditors is considered and approved by the Committee on a case-by-case basis, considering relevant law, regulation, the Ethical Standards and other applicable professional requirements.

The following factors are assessed when considering the provision of non-audit services by the external auditor:

- ▶ whether the proposed service is permitted;
- ▶ threats to independence and objectivity resulting from the provision of such services and any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the auditor's independence and objectivity;
- ▶ the nature of the non-audit services;
- ▶ whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service;
- ▶ the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate,

Report of the Audit and Risk Committee

Continued

relative to the audit fee, including special terms and conditions (for example contingent fee arrangements); and

- ▶ the criteria which govern the compensation of the individuals performing the audit.

There were no non-audit services performed by the Auditor during the year under review.

Auditor appointment and independence

PwC was appointed as the Company's external Auditor on 5 July 2023 following a tender process conducted during 2023 and this is the fourth year of their appointment.

As part of its duty to assess auditor independence, the Committee considers the reappointment of the external auditor, including the rotation of the audit engagement partner, each year. The external auditor is required to rotate the audit engagement partner responsible for the Company audit every five years. The current audit engagement partner is Mike Byrne, and it is his fourth year as audit engagement partner for the Company.

The Committee reviews, amongst others, the following factors when considering proposing the re-appointment/appointment of an auditor:

- ▶ effectiveness and quality of the previous audit (if applicable);
- ▶ auditor independence;
- ▶ qualification, expertise and resources; and
- ▶ whether to recommend an external audit tender earlier than the maximum best practice ten-year period.

In support of its annual assessment of the Auditor's independence and objectivity prior to the commencement of the audit, the Committee undertakes a review of the following criteria:

- ▶ consideration of all relationships between the Company and the Auditor;
- ▶ review and confirm there to be no relationship(s) between the Company and the Auditor which could impact independence, objectivity and effectiveness;
- ▶ discuss with the Auditor any potential threats to their independence and the safeguards applied to mitigate such threats;

- ▶ review the Auditor's policies and procedures for maintaining independence and monitoring compliance with relevant requirements; and
- ▶ review the level of fees paid by the Company in proportion to the overall fee income of the Auditor, office and engagement partner.

Having considered the Auditor's familiarity and good understanding of the Company business, its level of service and independence during the year and throughout the audit, and value for money, the Committee has recommended the reappointment of PwC as the Company's external auditor for the year ended 30 June 2027. Accordingly, a resolution proposing the reappointment of PwC will be put forward for shareholder vote at the Company's 2026 AGM.

Risk management and internal controls framework

The Committee, on behalf of the Board, is responsible for monitoring and reviewing the effectiveness of the Company's risk management and internal controls framework. The Board meets regularly to assess the Company's principal and emerging risks and the effectiveness of its controls framework to manage and mitigate the respective risks.

In anticipation of the AIC Code's Provision 34 that requires directors to make a declaration of the effectiveness of a company's material controls at the balance sheet date, which will apply to the Company from its year ending 30 June 2027, the Board took proactive steps to update its controls framework with a requirement for each of its main third-party service providers to maintain its own suitable risk management and internal controls framework and to present their report on a quarterly basis, and to highlight any breaches or near misses as soon as possible.

The Board conducted its annual assessment of internal controls for each of the Company's key service providers and considered documentation from each, during the year. The Committee assessed the control environment as sufficiently robust to mitigate to an acceptable level the principal risks of the Company, with a particular focus on operational risks including cyber and fraud. As part of its annual assessment, the Board received and reviewed BNP Paribas' internal controls framework for the year and are

pleased to note that no significant issues were identified. The Administrator confirmed that their internal controls are reviewed on an ongoing basis which was overseen by the Group's internal audit team. The Administrator has established an IT Governance framework that is based on a set of Level 2 procedures and IT operations.

During the year, the Board conducted a robust assessment of the Company's principal and emerging risks, together with mitigating controls, which are set out on pages 24 to 27.

The key components designed to provide effective internal control are outlined below:

- ▶ the Administrator together with the Investment Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and financial position, and review its performance;
- ▶ the Board and Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Investment Manager as appropriate;
- ▶ the Administrator carried out compliance checks throughout the year in accordance with a Compliance Monitoring Plan approved annually by the Board;
- ▶ as a matter of course the Investment Manager's compliance department continually reviews the Investment Manager's operations and reports to the Board on an annual basis and by exception;
- ▶ written agreements are in place which specifically define the roles and responsibilities of the Investment Manager, Company Secretary, Administrator and other third-party service providers; and
- ▶ the Board considers the need for an internal audit function on an annual basis, in particular the compliance and internal control systems maintained by the Investment Manager, the Company Secretary and the Administrator. The Board deemed it sufficient to place reliance on the Investment Manager's, the Company Secretary's and the Administrator's systems and internal audit procedures.

In February 2026, the Board held a strategy and due diligence meeting at the Investment Manager's London office which provided an opportunity for the Board to discuss the portfolio and investment strategy in depth and consider the implications of current market conditions for the Company. Discussions were held with various members of the Investment Manager's team as well as the Company's Broker who updated the Board on developments within the Company's sector and the broader market. In addition, operational issues including compliance, IT security and cyber risks were discussed with the Investment Manager's team.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

The Board confirms that it has reviewed the effectiveness of the Company's risk management and internal controls framework for the year ended 30 June 2026, and to the date of approval of this Annual Report and deems it to be in line with the best practice guidance provided by the FRC.

Andrew Dann
Chair of the Audit and Risk Committee

17 September 2026

Directors' Remuneration Report

Remuneration Committee

The Remuneration Committee, which is chaired by Ian Cadby, operates within clearly defined terms of reference. The Committee comprises the full Board.

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is shown below.

Policy on Directors' remuneration

The Company's Articles of Association ("Articles") limit the aggregate fees payable to the Board to a total of £250,000 per annum. Subject to this overall limit, it is the Company's policy that the remuneration of Non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other relevant investment companies that are similar in size and have similar investment objectives and structures. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee properly the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ending 30 June 2027 and subsequent years.

No element of the Directors' remuneration is performance related.

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

It is the Board's policy that Directors do not have service contracts, but new Directors are provided with a letter of appointment.

On 20 May 2026, the Board approved an increased level of remuneration for the Directors with effect from 1 July 2026 as follows:

- ▶ Chair £52,500
- ▶ Audit Chair £46,000
- ▶ Other £39,000

Table of Directors' remuneration

The fees paid to each Director are detailed in the table below:

	2026 £	2025 £
Caroline Hitch (Chair)	50,000	45,000
Ian Cadby	37,500	32,500
Andrew Dann (Audit and Risk Committee Chair) ¹	41,227	13,356
Joanna Dentskevich ²	15,521	n/a
John Newlands	37,500	32,500
Wendy Dorman ³	18,772	39,000
Duncan Baxter ⁴	n/a	13,801
Total	200,520	176,157

1 Andrew Dann was appointed as chair of the Audit and Risk Committee on 4 December 2025.

2 Joanna Dentskevich was appointed to the Board on 1 February 2026.

3 Wendy Dorman retired from the Board on 4 December 2025.

4 Duncan Baxter retired from the Board on 3 December 2024.

The amounts paid by the Company to the Directors were for services as Non-executive Directors.

Voting at AGM

An ordinary resolution for the approval of this Directors' Remuneration Report will be put to an advisory shareholder vote at the forthcoming AGM.

Approval

The Directors' Remuneration Report was approved by the Board of Directors and signed on its behalf by:

Caroline Hitch
Chair

17 September 2026







Independent Auditor's Report to the members of CQS New City High Yield Fund Limited

Independent Auditor's Report

to the members of CQS New City High Yield Fund Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of CQS New City High Yield Fund Limited (the “company”) as at 30 June 2026, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The company's financial statements comprise:

- ▶ the statement of financial position as at 30 June 2026;
- ▶ the statement of comprehensive income for the year then ended;
- ▶ the statement of changes in equity for the year then ended;
- ▶ the cash flow statement for the year then ended; and
- ▶ the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements of the company, which includes those required by the Crown Dependencies' Audit Rules and Guidance. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- ▶ The company is an investment company, incorporated and based in Jersey, with ordinary shares listed on the Main Market of the London Stock Exchange.
- ▶ Our audit work was performed in Jersey. We conducted our audit of the financial statements using information provided by BNP Paribas S.A., Jersey Branch (the ‘administrator’) and CQS (UK) LLP (the ‘manager’).
- ▶ We tailored the scope of our risk-based audit considering the types of investments held by the company, the accounting processes and controls, and the industry in which the company operates.

Key audit matters

- ▶ Valuation and ownership of financial assets at fair value through profit or loss.

Materiality

- ▶ Overall materiality: £3,351,000 (2025: £2,987,000) based on 1% of net asset value.
- ▶ Performance materiality: £2,513,000 (2025: £2,240,000).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<i>Valuation and ownership of financial assets at fair value through profit or loss</i>	
Refer to Note 1 (Material accounting policies), Note 9 (Financial assets at fair value through profit or loss), and Note 22 (Fair value hierarchy) to the financial statements.	We understood and evaluated the design and implementation of controls over the valuation of investments for the level 1 and level 2 investments.
We focused on the valuation and ownership of financial assets at fair value through profit or loss (the "investments") because investments represent the principal element of the net asset value as disclosed on the statement of financial position in the financial statements.	We assessed the accounting policy for valuation of the investments for compliance with applicable accounting standards and whether the investments had been accounted for in accordance with the stated accounting policy.
The valuation of the investments drives several key performance indicators, such as net asset value, which is of significant interest to investors. Items classified as being level 1 or level 2 in the fair value hierarchy together comprise 99.6% of the investment portfolio.	We used independent third-party pricing sources to recalculate the valuation of all level 1 and level 2 positions within the investment portfolio and compared it to the valuation performed by management.
The value of level 3 investments within the portfolio is immaterial.	We obtained independent third-party confirmations from the company's custodians and compared them to the company's records of the investment ownership.
The nature of level 1 and level 2 investment valuations is not deemed to be complex as they are based primarily on quoted prices from independent pricing sources. However, the magnitude of the amounts involved means that there is potential for material misstatement.	We have no matters to report.
If the investments recorded were found not to represent what was owned by the company, this could have a significant impact on the financial statements.	

Independent Auditor’s Report

to the members of CQS New City High Yield Fund Limited
Continued

Report on the audit of the financial statements Continued

How we tailored the audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, the industry in which the company operates, and we considered the risk of climate change and the potential impact thereof on our audit approach.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£3,351,000 (2025: £2,987,000)
How we determined it	1% of net asset value
Rationale for benchmark applied	We believe that net assets is the most appropriate benchmark because this is the key metric of interest to investors. It is also a generally accepted measure used for companies in this industry.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2025: 75%) of overall materiality, amounting to

£2,513,000 (2025: £2,240,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £167,000 (2025: £149,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all the information included in the Annual Report & Financial Statements (the “Annual Report”) but does not include the financial statements and our auditor’s report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements, the directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Jersey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit

sampling to enable us to draw a conclusion about the population from which the sample is selected.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report

to the members of CQS New City High Yield Fund Limited
Continued

Report on the audit of the financial statements Continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This report, including the opinions, has been prepared for and only for the members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

Company Law exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- ▶ we have not received all the information and explanations we require for our audit;
- ▶ proper accounting records have not been kept; or
- ▶ the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Corporate governance statement

The UK Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

The company has reported compliance against the AIC Corporate Governance Code (the "Code") which has been endorsed by the UK Financial Reporting Council as being consistent with the UK Corporate Governance Code for the purposes of meeting the company's obligations, as an investment company, under the UK Listing Rules of the FCA.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- ▶ The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- ▶ The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- ▶ The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- ▶ The directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate; and

- ▶ The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- ▶ The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the company's position, performance, business model and strategy;
- ▶ The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- ▶ The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the UK Listing Rules for review by the auditors.

Michael Byrne

For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Jersey, Channel Islands

17 September 2026



Financial Statements

Statement of Comprehensive Income

For the year ended 30 June 2026

	Notes	Year ended 30 June 2026			Year ended 30 June 2025		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net capital gains/(losses)							
Gains/(losses) on financial assets at fair value through profit or loss	9	—	225	225	—	(6,187)	(6,187)
Foreign exchange gains ¹		—	199	199	—	12	12
Revenue							
Investment income	2	34,416	—	34,416	29,467	—	29,467
Other income		18	—	18	—	—	—
Total income/(loss)		34,434	424	34,858	29,467	(6,175)	23,292
Expenses							
Investment management fee	3	(1,587)	(1,058)	(2,645)	(1,456)	(971)	(2,427)
Other expenses	4	(1,108)	(126)	(1,234)	(1,034)	(104)	(1,138)
Total expenses		(2,695)	(1,184)	(3,879)	(2,490)	(1,075)	(3,565)
Profit/(loss) before finance income/(costs) and taxation		31,739	(760)	30,979	26,977	(7,250)	19,727
Finance income/(costs)							
Interest income		98	—	98	181	—	181
Interest expense	5	(1,290)	(860)	(2,150)	(1,408)	(938)	(2,346)
Profit/(loss) before taxation		30,547	(1,620)	28,927	25,750	(8,188)	17,562
Taxation	6	(62)	—	(62)	(107)	—	(107)
Profit/(loss) after taxation and total comprehensive income/(loss)		30,485	(1,620)	28,865	25,643	(8,188)	17,455
Basic and diluted earnings/(losses) per ordinary share (pence)	8	4.64p	(0.25)p	4.39p	4.43p	(1.42)p	3.01p

¹ Excludes foreign exchange gains and losses on financial assets at fair value through profit or loss which are presented within 'gains/losses on financial assets at fair value through profit or loss'.

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS as adopted by the EU (refer to note 1). The supplementary revenue return and capital return columns are both prepared under guidance published by the AIC.

There is no other comprehensive income as all income is recorded in the Statement of Comprehensive Income above.

All revenue and capital items in the above statement are derived from continuing operations.

No operations were acquired or discontinued in the year.

The accompanying notes on pages 72 to 91 are an integral part of these Financial Statements.

Statement of Financial Position

As at 30 June 2026

	Notes	As at 30 June 2026 £'000	As at 30 June 2025 £'000
Non-current assets			
Financial assets at fair value through profit or loss	9	364,936	328,844
Current assets			
Debtors and other receivables	10	7,086	4,623
Cash and cash equivalents		3,871	10,054
		10,957	14,677
Total assets		375,893	343,521
Current liabilities			
Bank loan	11	(40,000)	(40,000)
Creditors and other payables	12	(695)	(4,742)
Total liabilities		(40,695)	(44,742)
Net asset value		335,198	298,779
Stated capital and reserves			
Stated capital account	13	328,707	291,949
Special distributable reserve		50,385	50,385
Capital reserve		(61,279)	(59,659)
Revenue reserve		17,385	16,104
Equity Shareholders' funds		335,198	298,779
Net asset value per ordinary share (pence)	15	48.55p	48.37p

The Financial Statements on pages 68 to 91 were approved by the Board of Directors and authorised for issue on 17 September 2026 and were signed on its behalf by:

Caroline Hitch

Chair

17 September 2026

The accompanying notes on pages 72 to 91 are an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 30 June 2026

	Notes	Stated capital account ¹ £'000	Special distributable reserve ² £'000	Capital reserve ¹ £'000	Revenue reserve ³ £'000	Total £'000
At 1 July 2025		291,949	50,385	(59,659)	16,104	298,779
Total comprehensive income for the year:						
(Loss)/profit for the year		—	—	(1,620)	30,485	28,865
Transactions with owners recognised directly in equity:						
Dividends paid	7	—	—	—	(29,204)	(29,204)
Net proceeds from issue of shares	13	36,758	—	—	—	36,758
At 30 June 2026		328,707	50,385	(61,279)	17,385	335,198

For the year ended 30 June 2025

	Notes	Stated capital account ¹ £'000	Special distributable reserve ² £'000	Capital reserve ¹ £'000	Revenue reserve ³ £'000	Total £'000
At 1 July 2024		258,364	50,385	(51,471)	16,185	273,463
Total comprehensive income for the year:						
(Loss)/profit for the year		—	—	(8,188)	25,643	17,455
Transactions with owners recognised directly in equity:						
Dividends paid	7	—	—	—	(25,724)	(25,724)
Net proceeds from issue of shares		33,585	—	—	—	33,585
At 30 June 2025		291,949	50,385	(59,659)	16,104	298,779

¹ In accordance with the Companies (Jersey) Law 1991, dividends can be paid out of any capital account of the Company subject to certain solvency restrictions.

² The balance on the special distributable reserve is treated as distributable profits available to be used for all purposes permitted by Jersey Company Law including the buying back of ordinary shares, the payment of dividends and the payment of preliminary expenses.

³ The balance on the revenue reserve is available for paying dividends.

The accompanying notes on pages 72 to 91 are an integral part of these Financial Statements.

Cash Flow Statement

For the year ended 30 June 2026

		Year ended 30 June 2026 £'000	Year ended 30 June 2025 £'000
	Notes		
Operating activities			
Profit before taxation ¹		28,927	17,562
Adjustments to reconcile profit before taxation to net cash flows:			
Realised losses on financial assets at fair value through profit or loss	9	5,487	4,989
Unrealised (gains)/losses on financial assets at fair value through profit or loss	9	(5,712)	1,198
Effective interest adjustment	9	(377)	(260)
Foreign exchange gain		(199)	(12)
Interest expense		2,150	2,346
Purchase of financial assets at fair value through profit or loss ²		(138,160)	(155,696)
Proceeds from sale of financial assets at fair value through profit or loss ³		98,381	117,155
Changes in working capital			
(Increase)/decrease in other receivables		(2,463)	81
Increase/(decrease) in other payables		250	(128)
Irrecoverable withholding tax paid		(62)	(107)
Net cash used in operating activities		(11,778)	(12,872)
Financing activities			
Dividends paid	7	(29,204)	(25,724)
Repayment of bank loan	11	—	(35,000)
Drawdown of bank loan	11	—	40,000
Interest paid on loan facility		(2,158)	(2,297)
Proceeds from issuance of ordinary shares ⁴	13	36,758	33,585
Net cash generated from financing activities		5,396	10,564
Decrease in cash and cash equivalents		(6,382)	(2,308)
Cash and cash equivalents at the start of the year		10,054	12,350
Exchange gain		199	12
Cash and cash equivalents at the end of the year		3,871	10,054

¹ Included within profit before taxation is dividend income of £4,800,000 (2025: £4,181,000) and interest income of £29,616,000 (2025: £25,286,000).

² Amounts due to brokers as at 30 June 2026 relating to purchases of financial assets at fair value through profit or loss amounted to £nil (2025: £4,289,000).

³ Amounts due from brokers as at 30 June 2026 relating to sales of financial assets at fair value through profit or loss amounted to £nil (2025: £nil).

⁴ Amounts due on new share issuance not yet received as at 30 June 2026 amounted to £nil (2025: £nil).

The accompanying notes on pages 72 to 91 are an integral part of these Financial Statements.

Notes to the Financial Statements

1 MATERIAL ACCOUNTING POLICIES

(a) Basis of accounting

These Financial Statements have been prepared in accordance with IFRS as adopted by the EU and in accordance with the guidance set out in the SORP: Financial Statements of Investment Trust Companies and Venture Capital Trusts issued by the AIC in July 2022. Notwithstanding that the Company is not an investment trust company, given the purpose of the Company and certain similar characteristics, the Company has chosen to follow the guidance set out in the SORP where it is consistent with the requirements of IFRS.

The functional and reporting currency of the Company is pound sterling because that is the primary economic environment in which the Company operates. The Financial Statements and notes are presented in pound sterling and are rounded to the nearest thousand except where otherwise indicated.

The Financial Statements have been prepared on the historical cost basis, except that investments are stated at fair value and categorised as financial assets at fair value through profit or loss.

Going concern

At each AGM of the Company, Shareholders are given the opportunity to vote on an ordinary resolution to continue the Company as an investment company. If any such resolution is not passed, the Board will put forward proposals at an extraordinary general meeting to liquidate or otherwise reconstruct or reorganise the Company. Given the performance of the Company, input

from the Company's major Shareholders and its Broker and considering that 99% of the Shareholders' votes at the last AGM held on 4 December 2025, were in favour of the continuation of the Company, the Board considers it likely that Shareholders will vote in favour of continuation at the forthcoming AGM.

The Company's existing loan facility as detailed on page 80, is of an amount of up to £50,000,000 and is due to mature on 7 December 2026 after which it is anticipated the Company will take out a new facility on comparable terms. In the event that current liquid assets are insufficient, the Company has the ability to realise Level 1 assets as necessary to facilitate repayment of the loan. After making enquiries of the Investment Manager and having considered the Company's investment objective, nature of the investment portfolio, loan facility, expenditure projections and the impact of the current geo-political and market uncertainty on the Company, the Directors consider that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this report. For this reason, the Directors continue to adopt the going concern basis in preparing the Financial Statements, notwithstanding that the Company is subject to an annual continuation vote as described above.

Accounting developments

Standards and amendments to existing standards effective in current year

There were no new standards, amendments and interpretations that were issued during the year which were applicable to the operations of the Company.

Standards and amendments becoming effective in future periods

The following standards, amendments and interpretations to existing standards applicable to the Company become effective in future accounting periods and have not been early adopted by the Company:

IFRS	Effective for periods beginning on or after
▶ Annual Improvements to IFRS Accounting Standards – Amendments to: ▶ IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7; ▶ IFRS 9 Financial Instruments; and ▶ IAS 7 Statement of Cash flows	1 January 2026
▶ Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	1 January 2026
▶ IFRS 18 – Presentation and disclosure in financial statements	1 January 2027

The Directors believe that the above are not applicable to the operations of the Company, except for IFRS 18, which includes requirements for all entities applying IFRS Accounting Standards for the presentation and disclosure of information in financial statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Although IFRS 18 has not yet been endorsed for use in the EU, it is set to replace IAS 1. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

Critical accounting estimates and judgements

The preparation of the Financial Statements necessarily requires the exercise of judgement both in application of accounting policies which are set out below and in the selection of assumptions used in the calculation of estimates. These estimates and judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. However, actual results may differ from these estimates.

The valuation of financial assets involves estimation and judgements. The major part of the Company's financial assets is its financial assets held at fair value through profit or loss which are valued by reference to listed and quoted bid prices, however some of these financial assets are thinly traded. Such financial assets are best valued by reference to current market price quotes provided by

independent brokers. The Directors may overlay such prices with situation specific adjustments including (a) taking a second independent opinion on a specific investment, or (ii) reducing the value to a net present value, to reflect the likely time to be taken to realise a stock which the Company is actively looking to sell. The outturn is reflected in the valuations of investments as set out in note 22.

Financial assets which are not listed or where trading in the securities of an investee company is suspended or are unquoted are valued by the Manulife | CQS Valuation Committee which recommends a valuation methodology which is presented and discussed at each Valuation Committee, the minutes of which are available to the Company's Directors, Auditors, Administrators and Depositaries. The methodologies used for hard-to-value investments may include matrix pricing, discounted cash flows, benchmark pricing and/or model-based pricing.

There were no other significant accounting estimates or significant judgements in the current or previous year.

A summary of the principal accounting policies which have been applied to all periods presented in these Financial Statements is set out below.

(b) Financial assets

Financial assets which comprise equity shares, convertible bonds and fixed income securities, are classified as held at fair value through profit or loss as the Company's business model is not to hold these financial

Notes to the Financial Statements

Continued

assets for the sole purposes of collecting contractual cash flows. In making this assessment, the Directors have given regard to the investment strategy of the Company, the fact that the performance of the portfolio is evaluated on a fair value basis and the fact that the Investment Manager is remunerated on a percentage of total assets.

Purchases or sales of financial assets are recognised/derecognised on the date the Company trades the investments. On initial recognition investments are measured at fair value and classified as fair value through profit or loss with any subsequent gain or loss, including any gain or loss arising from a change in exchange rates, recognised in the capital column of the Statement of Comprehensive Income.

Financial assets held at fair value through profit or loss are valued in accordance with the policies described in the critical accounting estimates and judgements section above.

Financial assets also include the Company's cash and cash equivalents (comprising of cash held in current accounts and overdraft balances) and debtors and other receivables which are held at amortised cost using effective interest rate, less any impairment.

(c) Financial liabilities

Financial liabilities include amounts due to brokers, bank loan, interest on bank loan and other creditors which are held at amortised cost using the effective interest rate method. Financial liabilities are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(d) Investment income

Dividends receivable on equity shares (including preference shares) are recognised as income on the date that the related investments are marked ex-dividend. Dividends receivable on equity shares where no ex-dividend date is quoted are recognised as income when the Company's right to receive payment is established.

Dividends from overseas companies are shown gross of any non-recoverable withholding taxes

which are disclosed separately in the Statement of Comprehensive Income.

Fixed returns on non-equity shares and debt securities (including preference shares) are recognised on a time apportioned basis so as to reflect the effective interest rate on those instruments. Other returns on non-equity shares are recognised when the right to the return is established.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash, an amount equal to the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital reserve.

(e) Expenses, including finance charges

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- ▶ expenses which are incidental to the acquisition of an investment are charged to the capital account;
- ▶ expenses which are incidental to the disposal of an investment are charged to the capital account;
- ▶ the Company charges 40% of investment management fees and interest costs to capital, in line with the Board's expected long term return in the form of capital gains and income respectively from the investment portfolio of the Company. For further details refer to notes 3 and 5; and
- ▶ expenses incurred in connection with the maintenance or enhancement of the value of the investments or for the long term benefit of the Company are charged to capital.

(f) Foreign currencies

Transactions denominated in foreign currencies are recorded in the functional currency at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported in sterling at the rates of exchange prevailing at the period end. Exchange gains and losses on investments held at fair value through profit or loss are included in 'Gains/(losses) on financial assets at fair value through profit or loss'. Exchange gains and losses on other

balances are disclosed separately in the Statement of Comprehensive Income.

(g) Reserves

- (i) Capital reserve. Under Jersey Company law, dividends can be paid out of any capital account of the Company subject to certain solvency restrictions. It is the Company's policy however to account for revenue items and pay dividends through a separate revenue reserve. The following are accounted for in the capital reserve:
- ▶ gains and losses on the realisation of investments;
 - ▶ realised and unrealised exchange differences of a capital nature;
 - ▶ expenses and finance costs charged in accordance with the policies above; and
 - ▶ increases and decreases in the valuation of investments held at the period end.
- (ii) Special distributable reserve. This reserve is treated as distributable profits available to be used for all purposes permitted by Jersey company law including the buying back of ordinary shares, the payment of dividends (see note 7) and the payment of preliminary expenses.

- (iii) Revenue reserve. The net profit/(loss) and total comprehensive income/(loss) arising in the revenue column of the Statement of Comprehensive Income is added to or deducted from this reserve and is available for paying dividends.

(h) Share capital

The Company's ordinary shares are classified as equity based on the substance of the contractual arrangements and in accordance with the definition of equity instruments under International Accounting Standard ("IAS") 32. The proceeds from the issue of ordinary shares are recognised in the Statement of Changes in Equity, net of issue costs.

(i) Segmental information

The Company holds a variety of different investments in a wide range of issuers located in different geographies and operating in different sectors. However, resources are allocated and the business is managed by the chief operating decision-makers, the Directors and the Investment Manager, on an aggregated basis. Strategic and financial management decisions are determined centrally by the Directors and, on this basis, the Company operates as a single investment management business and no segmental reporting is provided.

2 INVESTMENT INCOME

	2026 £'000	2025 £'000
Income from financial assets at fair value through profit or loss¹		
Dividend income	4,800	4,181
Interest on fixed income securities ²	29,616	25,286
Total income	34,416	29,467

¹ All investment income arises on financial assets valued at fair value through profit or loss.

² Fixed income securities include fixed and floating rate securities, convertible securities and preference shares.

Notes to the Financial Statements

Continued

3 INVESTMENT MANAGEMENT FEE

	2026 Revenue £'000	2026 Capital £'000	2026 Total £'000	2025 Revenue £'000	2025 Capital £'000	2025 Total £'000
Investment management fee	1,587	1,058	2,645	1,456	971	2,427

The Company's investment manager is Manulife | CQS Investment Management.

As per the Investment Management Agreement dated 18 September 2019, the management fee is charged at a rate of 0.80% per annum on the Company's total assets (being total assets less current liabilities (other than bank borrowings and ignoring any taxation which is or may be payable by the Company)) up to £200,000,000, 0.70% per annum of total assets in excess of £200,000,000 and up to and including £300,000,000 and 0.60% per annum thereafter. The management fee is paid monthly in arrears.

The contract between the Company and the Investment Manager may be terminated by either party giving not less than 12 months' notice of termination.

During the year ended 30 June 2026, investment management fees of £2,645,000 (2025: £2,427,000) were incurred, of which £453,000 (2025: £207,000) was payable at the year-end. Investment management fees have been allocated 60% to revenue and 40% to capital.

4 OTHER EXPENSES

	2026 Revenue £'000	2026 Capital £'000	2026 Total £'000	2025 Revenue £'000	2025 Capital £'000	2025 Total £'000
Secretarial and administration fees	271	–	271	244	–	244
Directors' fees	201	–	201	176	–	176
Auditors' remuneration for audit services ¹	58	–	58	55	–	55
Broker fees	30	–	30	30	–	30
Printing	17	–	17	60	–	60
Bank and custody charges	75	–	75	69	–	69
Registrars' fees	53	–	53	39	–	39
Depositary fees	45	–	45	45	–	45
Legal and professional fees	214	–	214	135	–	135
Sundry expenses	144	126	270	181	104	285
Total other expenses	1,108	126	1,234	1,034	104	1,138

¹ There were no non-audit fees paid to the Auditor during the years ended 30 June 2026 and 30 June 2025.

Directors' fees

For the year ended 30 June 2026, Directors' remuneration was as follows:

Chair	£50,000
Audit Chair	£44,000
Other	£37,500

No director fees were payable as at 30 June 2026 and 30 June 2025. No pension contributions were payable in respect of any of the Directors and the Company does not have any employees.

5 INTEREST EXPENSE

	2026 Revenue £'000	2026 Capital £'000	2026 Total £'000	2025 Revenue £'000	2025 Capital £'000	2025 Total £'000
Interest expense	1,290	860	2,150	1,408	938	2,346

Interest expense and similar charges have been allocated 60% to revenue and 40% to capital as explained in note 1(e)

6 TAXATION

The taxation charge for the year is comprised of:

	2026 Revenue £'000	2026 Capital £'000	2026 Total £'000	2025 Revenue £'000	2025 Capital £'000	2025 Total £'000
Irrecoverable withholding tax suffered	62	–	62	107	–	107

The taxation on profit differs from the theoretical expense that would apply on the Company's profit before taxation using the applicable tax rate in Jersey of 0% for the year ended 30 June 2026 (2025: 0%) as follows:

	2026 £'000	2025 £'000
Profit on ordinary activities before taxation	28,927	17,562
Theoretical tax expense at 0% (2025: 0%)	–	–
Effects of:		
Foreign withholding tax	62	107
Current year revenue tax charge	62	107

Notes to the Financial Statements

Continued

7 DIVIDENDS

	2026 £'000	2025 £'000
Amounts recognised as distributions to equity holders in the year:		
Dividends in respect of the year ended 30 June 2025		
– Fourth interim dividend of 1.51p (2024: 1.50p) per ordinary share	9,327	8,272
Dividends in respect of the year ended 30 June 2026		
– First interim dividend of 1.00p (2025: 1.00p) per ordinary share	6,440	5,692
– Second interim dividend of 1.00p (2025: 1.00p) per ordinary share	6,676	5,816
– Third interim dividend of 1.00p (2025: 1.00p) per ordinary share	6,761	5,944
	29,204	25,724

A fourth interim dividend in respect of the year ended 30 June 2026 of 1.52p per ordinary share was paid on 28 August 2026 to Shareholders on the register on 31 July 2026, having an ex-dividend date of 30 July 2026.

In accordance with IFRS, dividends paid to the Company's Shareholders are recognised when they become payable on the ex-dividend date, consequently the fourth interim dividend has not been included as a liability in these Financial Statements and will be recognised in the period in which it becomes payable.

8 BASIC AND DILUTED EARNINGS/(LOSSES) PER ORDINARY SHARE (PENCE)

	2026	2025
Revenue profit after taxation (£'000)	30,485	25,643
Weighted average number of ordinary shares	657,189,803	579,270,488
Revenue earnings per ordinary share (pence)	4.64p	4.43p
Capital loss (£'000)	(1,620)	(8,188)
Weighted average number of ordinary shares	657,189,803	579,270,488
Capital return per ordinary share (pence)	(0.25)p	(1.42)p
Total basic and diluted earnings per ordinary share (pence)	4.39p	3.01p

Total earnings per ordinary share reflects both revenue earnings and capital returns per ordinary share. The Company has not issued any instruments that could potentially dilute basic earnings per ordinary share in the future. Therefore, the Company's basic earnings per ordinary share is equivalent to its diluted earnings per ordinary share.

There have been no transactions involving the Company's ordinary shares between 1 July 2026 and 17 September 2026 other than those disclosed in note 25, which were issued at a premium to the 30 June 2026 NAV.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

All financial assets are valued at fair value through profit or loss. Gains or losses arising from changes in the fair value of investments are included in the Statement of Comprehensive Income.

	2026 £'000	2025 £'000
Equity shares ¹	52,555	42,295
Fixed income securities ²	312,381	286,549
	364,936	328,844

¹ Equity shares include investment funds.

² Fixed income securities include fixed and floating rate securities, convertible securities and preference shares.

	2026 £'000	2025 £'000
Opening valuation	328,844	299,529
Purchases at cost	141,170	152,195
Sales proceeds ¹	(105,680)	(116,953)
Realised losses on sales	(5,487)	(4,989)
Effective interest adjustment	377	260
Unrealised gains/(losses)	5,712	(1,198)
Closing valuation	364,936	328,844

¹ Sales proceeds include the repayment of bonds on maturity and early redemption.

	2026 £'000	2025 £'000
Gains/(losses) on investments		
Realised losses ¹	(5,487)	(4,989)
Unrealised gains/(losses) ²	5,712	(1,198)
	225	(6,187)

¹ Realised losses on financial assets at fair value through profit or loss is made up of gains of £6,584,000 (2025: £5,653,000) and losses of £12,071,000 (2025: £10,642,000).

² Unrealised gains/(losses) on financial assets at fair value through profit or loss is made up of gains of £25,515,000 (2025: £21,675,000) and losses of £19,803,000 (2025: £22,873,000).

10 DEBTORS AND OTHER RECEIVABLES

	2026 £'000	2025 £'000
Accrued income	7,058	4,605
Prepayments and other debtors	28	18
	7,086	4,623

Notes to the Financial Statements

Continued

11 BANK LOAN

	2026 £'000	2025 £'000
Bank loan facility- opening balance	40,000	35,000
Repayment of bank loan	–	(35,000)
Drawdown of bank loan	–	40,000
Bank loan facility – closing balance	40,000	40,000

The Company entered into a short-term unsecured loan facility with BNP Paribas, London Branch on 18 December 2024, for an initial amount of up to £45,000,000, which expired on 18 December 2025. On 10 December 2025, the Company and BNP Paribas, London Branch executed an Amendment Agreement that (i) increased the commitment to £50,000,000 and (ii) extended the termination date to 7 December 2026. As at 30 June 2026, £40,000,000 has been drawn down from the facility (30 June 2025: £40,000,000).

The facility bears interest at a margin of 1.40 % per annum in addition to the daily non-cumulative compounded RFR, and a commitment fee of 0.45 % per annum is payable on the daily available commitment.

During the year ended 30 June 2026 and up until the date of this report, the Company has complied with all covenants of the loan facility with BNP Paribas, London Branch, which are as follows:

- ▶ at any time, the borrower shall ensure that its NAV is no less than £100,000,000;
- ▶ at any time, the Borrower shall ensure that the loan to value (“LTV”) ratio is below the Maximum LTV Ratio which is 25%;
- ▶ at any time, the Borrower shall ensure that the aggregate Financial Indebtedness is covered 1 time by the Adjusted Total Assets Value; and
- ▶ the borrower will not incur or permit to be outstanding any Financial Indebtedness other than Permitted Financial Indebtedness.

Prior to the BNP Paribas facility, the Company had a short-term unsecured loan facility with Scotiabank covering a limit of up to £45,000,000; this facility terminated on 18 December 2024.

12 CREDITORS AND OTHER PAYABLES

	2026 £'000	2025 £'000
Amounts due to brokers	–	4,289
Interest on bank loan facility	68	76
Other creditors	627	377
	695	4,742

13 STATED CAPITAL ACCOUNT

Authorised

The authorised share capital of the Company is represented by an unlimited number of ordinary shares of no par value.

Allotted, called up and fully-paid

	Number of ordinary shares	Amount received £'000	Share issue costs £'000	Share capital £'000
Total as at 1 July 2025	617,701,858			291,949
Shares allotted during the year	72,750,000	37,020	(262)	36,758
Total issued share capital at 30 June 2026	690,451,858	37,020	(262)	328,707

On 26 September 2025, a block listing facility for 34,000,000 new shares was approved by the UK Listing Authority. This facility is used for the purposes of satisfying market demand. Refer to note 25 for details of a block listing facility approved after the year end.

Because the criteria in paragraphs 16c and 16d of IAS 32 Financial Instruments: Presentation have been met, the stated capital of the Company is classified as equity even though there is an annual continuation vote.

Ordinary shares issued are accounted for based on the associated trade date.

14 RESERVES

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective, which is detailed on page 31.

The Company's distributable reserve is available for distribution in accordance with Jersey company law and may be used for any purpose permitted by law, including the payment of dividends and the purchase of the Company's own shares.

Capital management policies and procedures

The Board defines capital as financial resources available to the Company. The Company's capital as at 30 June 2026 comprises its stated capital, special distributable reserve, capital reserve and revenue reserve at a total of £335,198,000 (2025: £298,779,000).

The Company's capital management objectives are:

- ▶ to ensure that the Company will be able to continue as a going concern; and
- ▶ to maximise the capital return to its equity Shareholders through an appropriate balance of equity capital and debt.

The Board normally seeks to limit gearing to 25% of Shareholders' funds at the time of borrowing. The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Investment Manager's views on the market and the extent to

Notes to the Financial Statements

Continued

which revenue in excess of that which is required to be distributed should be retained. The Company has no externally imposed capital requirements.

The capital of the Company is managed in accordance with its investment policy detailed in the Strategic Review on page 31.

15 NET ASSET VALUE PER ORDINARY SHARE

The NAV per ordinary share and the NAV attributable to the ordinary shares at the year-end calculated in accordance with their entitlements in the Articles of Association were as follows:

	2026	2025
NAV (£'000)	335,198	298,779
Ordinary shares in issue	690,451,858	617,701,858
NAV per ordinary share	48.55p	48.37p

16 FINANCIAL INSTRUMENTS

The Company's financial instruments comprise its investment portfolio, cash balances, bank loan and debtors and creditors that arise directly from its operations. As an investment company, the Company holds a portfolio of financial assets and financial liabilities in pursuit of its investment objective. The Company uses flexible borrowings for short term purposes and to seek to enhance the returns to Shareholders, when considered appropriate by the Investment Manager.

Financial assets at fair value through profit or loss (see note 9) are held at fair value. For listed securities trading actively, fair value is considered to be equivalent to the most recently available bid price. Where listed securities are not trading actively, independent broker quotes are referenced to estimate fair value. For unlisted securities, fair value is determined by the Board using valuation techniques based on unobservable inputs, mainly using broker quotes. The fair value of other receivables, cash and cash equivalents and other payables is represented by their carrying value in the Statement of Financial Position shown on page 69. These are short term financial assets and liabilities whose carrying value approximate fair value.

The main risks that the Company faces arising from its financial instruments are:

- (i) market price risk, being the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and comprises currency risk, interest rate risk and other price risk;
- (ii) interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates;
- (iii) foreign currency risk, being the risk that the value of investment holdings, investment purchases, investment sales and income will fluctuate because of movements in currency exchange rates;
- (iv) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company; and
- (v) liquidity risk, being the risk that the bank may demand repayment of the loan and/or that the Company may not be able to liquidate quickly its investments.

The Company held the following categories of financial instruments as at 30 June 2026, all of which are held at amortised cost, other than financial assets at fair value through profit or loss, which are held at fair value. The Directors are of the opinion that for the financial instruments held at amortised cost, the carrying value approximates their fair value.

	2026 £'000	2025 £'000
Financial assets		
Financial assets at fair value through profit or loss	364,936	328,844
Cash and cash equivalents	3,871	10,054
Accrued income	7,058	4,605
Amount due from brokers	–	–
Financial liabilities		
Amount due to brokers	–	(4,289)
Bank loan	(40,000)	(40,000)
Interest on bank loan facility	(68)	(76)
Other creditors	(627)	(377)

17 MARKET PRICE RISK

Market price risk (including other price risk) arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. To mitigate the risk the Investment Manager's investment strategy is:

- ▶ to select investments for their fundamental value. Stock selection is based on disciplined accounting, thorough market and sector analysis, with the emphasis on investments that will redeem in full at the end of their maturity date.
- ▶ to ensure that an appropriate spread of investments is held in the portfolio in order to reduce both the statistical risk and the risk arising from factors specific to a country or sector.
- ▶ to monitor market prices throughout the year and report to the Board, which meets regularly in order to consider investment strategy.

Investment and portfolio performance are discussed in the Investment Manager's Review and further information on the investment portfolio is set out on pages 19 to 20. These pages do not form part of the audited Financial Statements.

If the investment portfolio valuation fell 7.5% (2025: fall of 7.5%) at 30 June 2026, the impact on the profit or loss and the NAV would have been negative £27,370,000 (2025: negative £24,663,000). Due to the effect of gearing, the impact on the NAV per ordinary share would have been a decrease of 8.2% (2025: decrease of 8.3%). If the investment portfolio valuation rose by the same amount, the effect would have been equal and opposite. The calculations are based on the portfolio valuation at the Statement of Financial Position date, are not representative of the period as a whole and may not be reflective of future market conditions.

The Directors believe 7.5% is a relevant percentage based on average market volatility in recent years.

Notes to the Financial Statements

Continued

18 INTEREST RATE RISK

The Company's financial assets and liabilities, with the exception of cash and cash equivalents (see below), that are subject to interest rate risk are detailed below.

	2026	2026	2026	2025	2025	2025
		Weighted	Weighted		Weighted	Weighted
		average	average		average	average
		interest	for which		interest	for which
	£'000	rate (%)	the rate	£'000	rate (%)	the rate
			is fixed			is fixed
			(years)			(years)
Financial assets:						
Fixed rate instruments & convertible securities	185,616	7.82	5.98	162,835	7.55	5.91
Floating rate notes	126,765	6.93	n/a	123,449	6.73	n/a
Preference shares	–	0.00	n/a	265	0.00	n/a
Financial liabilities:						
Bank Loan	40,000	5.28	n/a	40,000	6.38	n/a

Financial assets

Fixed, floating rate and preference share yields and their prices, are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, short term interest rates and international market comparisons. The Investment Manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee company.

Interest rates on fixed income instruments are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. Consequentially, if a fixed income instrument is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a fixed income instrument the market price at any given time will depend on the market environment at that time. Therefore, a fixed income instrument sold before its redemption date is likely to have a different price to its purchase level and a profit or loss may be incurred.

Interest rates on floating rate instruments vary throughout the life of the instrument based on movements in the applicable underlying base rate. Consequentially, the total return achieved on these positions changes throughout the life of position. In addition, over the life of the financial instrument, the market price of such instruments will depend on the market environment at that time. Therefore, a floating rate instrument sold before its redemption date is likely to have a different price to its purchase level and a profit or loss may be incurred.

Cash and cash equivalents

When the Company retains cash balances they are held in floating rate deposit accounts. As at 30 June 2026, cash and cash equivalents included cash amount of £1,249,000 (2025: £9,726,000) held in Sterling and £2,622,000 (2025: £328,000) in a range of other currencies. The benchmark rate which determines the interest payments received on sterling interest bearing cash balances is the UK bank base rate, which was 3.75% (2025: 4.25%) at 30 June 2026.

Financial liabilities

The Company has borrowed in sterling at a variable rate of interest based on the UK bank base rate. The impact of a 1% increase (or decrease) in the bank base rate would be a NAV loss (or gain) of £400,000 (2025: £400,000). The impact is linear – in other words, a 2% increase (or decrease) in the bank base rate would result in twice the NAV loss (or gain) as 1%. The calculations are based on borrowings as at the respective Statement of Financial Position dates and are not representative of the year as a whole.

At year-end, the Company held a bank loan of £40,000,000 from BNP Paribas, London Branch, details of which are contained in note 11.

19 FOREIGN CURRENCY RISK

The Company invests in overseas securities and may hold foreign currency cash balances which give rise to currency risks. It is not the Company's policy to hedge this risk on a continuing basis, but it may do so from time to time.

Foreign currency exposure at 30 June 2026 and 30 June 2025 was as follows:

	2026 Investments	2026 Cash	2026 Accrued Income	2026 Total	2025 Investments	2025 Cash	2025 Accrued Income	2025 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Euro	31,849	807	634	33,290	39,335	65	520	39,920
Australian dollar	–	2	–	2	–	1	–	1
US dollar	52,921	1,721	1,607	56,249	56,920	175	1,252	58,347
Norwegian krone	1,050	28	–	1,078	1,570	22	21	1,613
Canadian dollar	–	3	–	3	265	6	–	271
Swedish krona	2,706	54	27	2,787	2,606	51	27	2,684
Swiss Franc	–	7	–	7	–	6	–	6
	88,526	2,622	2,268	93,416	100,696	326	1,820	102,842

If the value of sterling had weakened against each of the currencies in the portfolio by 5% (2025: 5%), the impact on the profit or loss and the NAV would have been positive £4,540,000 (2025: positive £5,126,000).

If the value of sterling had strengthened by the same amount the impact on the profit or loss and the NAV would have been negative £4,540,000 (2025: negative £5,126,000).

The calculations are based on the portfolio valuation and accrued income balances at the Statement of Financial Position date are not representative of the period as a whole and may not be reflective of future market conditions.

The Directors believe 5% is relevant based on the average market volatility in exchange rates in recent years.

Notes to the Financial Statements

Continued

20 CREDIT RISK

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represents the maximum risk exposure at the Statement of Financial Position date.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2026 £'000	2025 £'000
Fixed income securities ¹	312,381	286,549
Cash and cash equivalents	3,871	10,054
Accrued income	7,058	4,605
	323,310	301,208

¹ Fixed income securities include fixed and floating rate securities, convertible securities and preference shares.

Credit risk on fixed income securities and convertible bonds instruments is considered to be part of market price. The credit ratings for the fixed income securities held by the Company as at 30 June 2026 and 2025 have been listed below:

Rating of fixed income securities	2026 %	2025 %
BB+	4.00	—
BB	0.95	1.11
BB-	1.79	7.17
B+	10.30	6.38
B	9.19	12.88
B-	15.00	1.72
BBB	3.85	4.15
CCC	—	1.89
CCC+	7.48	4.22
Not rated	47.44	60.48
	100.0	100.0

Source: S&P Global Ratings

The percentage above represents the value of fixed income securities of £312,381,000 (2025: £286,549,000) included in the Statement of Financial Position which are exposed to credit and counterparty risk by credit rating.

Before considering an investment into a non-rated security, the Investment Manager, together with the Manulife|CQS analyst team, perform detailed credit analysis. They then monitor issuers throughout the holding period and assess credit quality and covenant compliance. Refinancing profiles are regularly reviewed.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the acceptable credit quality of the brokers used. The Board monitors the quality of service provided by the brokers used to further mitigate this risk.

The Company's cash and most of the assets are held by the Administrator. The Company holds a residual cash balance with HSBC Bank plc of £12,000 (2025: £12,000). The rating agency Moody's assigns a rating of A3 to HSBC and A1 to BNP Paribas.

There were no contingencies or guarantees outstanding at the Statement of Financial Position date.

21 LIQUIDITY RISK

Market liquidity risk

The Company's financial instruments include investments which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate these investments within a short time frame.

The Company's listed securities are considered to be readily realisable.

Funding liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments.

	Carrying amount £000	Contractual cash flows 0-1 year £000
30 June 2026		
Bank loan	40,000	(40,905)
Creditors and other payables	695	(695)
Total	40,695	(41,600)

	Carrying amount £000	Contractual cash flows 0-1 year £000
30 June 2025		
Bank loan	40,000	(42,247)
Creditors and other payables	4,742	(4,742)
Total	44,742	(46,989)

The table above illustrates the contractual undiscounted cash flows relating to the financial liabilities of the Company. The interest payments on the bank loan in the table above reflect market forward interest rates available at the reporting date and these amounts may change as market interest rates change.

As disclosed in note 11, the Company has availed of a short-term unsecured bank loan facility of £50,000,000 with BNP Paribas, London Branch, out of which, £40,000,000 has been drawn-down and is outstanding as at 30 June 2026. In addition to this, the Company maintains sufficient cash and readily realisable securities to pay accounts payable, accrued expenses and any repayment on its bank facility. As at 30 June 2026, 98% (2025: 98%) of the Company's investments are listed and can therefore be readily realised.

Notes to the Financial Statements

Continued

The Company's liquidity risk is managed on an ongoing basis by the Investment Manager in accordance with policies and procedures in place as described in the Directors' Report. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

22 FAIR VALUE HIERARCHY

IFRS 13 Fair Value Measurement requires an analysis of investments valued at fair value based on the reliability and significance of information used to measure their fair value. The level is determined by the lowest (that is the least reliable or independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

- ▶ Level 1 – investments quoted in an active market;
- ▶ Level 2 – investments whose fair value is based directly on observable current market prices or indirectly being derived from market prices;
- ▶ Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or based on observable market data.

Transfers in and out of the levels are deemed to have occurred at the start of the reporting period.

Investments valued using stock market active prices are disclosed as Level 1 and this is the case for the quoted equity investments that the Company holds.

Securities in Level 2 are priced using evaluated prices from a third party vendor, together with a price comparison made to evaluated secondary and tertiary third party sources, including broker quotes and benchmarks. As a result, these investments are disclosed as Level 2 – recognising that the fair values of these investments are not as visible as quoted investments and their higher inherent pricing risk.

Investments included as Level 3 are priced by the investment manager using a generally acceptable valuation technique reviewed by the Board taking into account, where appropriate, latest dealing prices, broker statements, valuation information and other relevant factors.

Financial assets at fair value through profit or loss	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Fixed income securities ¹	–	311,360	1,021	312,381
Equity shares ²	52,066	–	489	52,555
As at 30 June 2026	52,066	311,360	1,510	364,936

Financial assets at fair value through profit or loss	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Fixed income securities ¹	266	285,400	883	286,549
Equity shares ²	42,287	–	8	42,295
As at 30 June 2025	42,553	285,400	891	328,844

¹ Fixed income securities include fixed and floating rate securities, convertible securities and preference shares.

² Equity shares include investment funds.

If the market value of the Level 3 investments fell by 7.5% (2025: 7.5%), the impact on the profit or loss and the NAV would have been negative £113,000 (2025: negative £67,000). If the value of the Level 3 investments rose by the same amount, the effect would have been equal and opposite.

IFRS 13 requires disclosure, by class of financial instrument, if the effect of changing one or more input to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. On that basis the Board believes that the impact of changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value significantly. The following shows a reconciliation from the beginning to the end of the year for fair value measurements in Level 3 of the fair value hierarchy.

Level 3 Financial Assets	2026 £'000	2025 £'000
Opening valuation	891	519
Additions	2,834	–
Sales	(966)	(8)
Corporate actions	1,674	–
Unrealised (losses)/gains	(3,134)	2,611
Realised losses	(139)	(2,969)
Transfers out of Level 3	–	(50)
Transfers into Level 3	350	788
Closing valuation	1,510	891

Transfers into Level 3

The following positions were transferred out of Level 2 to Level 3 because of lack of broker quotes and observable data as at 30 June 2026:

- ▶ ORO SG 12% 19-20/12/2025 DFLT as at 30 June 2025: £53,000.
- ▶ NEW LOOK PIK FACILITY 16.5% 09/11/2025 as at 30 June 2025: £157,000.
- ▶ COBURN RESOURCES positions as at 30 June 2025: £140,000.

Quantitative information of significant unobservable inputs – Level 3

The following tables summarise the significant unobservable inputs the Company used to value its significant investments categorised within Level 3 as at 30 June 2026 and 30 June 2025:

Notes to the Financial Statements

Continued

30 June 2026

Description	Fair value as at 30 June 2026 £000	Valuation technique	Significant Unobservable inputs
PRIORITY1 ISSUER 12.625% 26-19/11/2027	891	Recovery model	Net recovery value
N0R5KE FIBRE AS	489	Vendor Pricing	Unadjusted broker quote
NEW LOOK PIK FACILITY 16.5% 09/11/2025	62	Vendor Pricing	Unadjusted broker quote
BOOSTER PRECISION CO 0% 31/12/2099	51	Vendor Pricing	Unadjusted broker quote
ORO SG 12% 19-20/12/2025 DFLT	16	Vendor Pricing	Unadjusted broker quote
NEW LOOK PLC SHAREHOLDER T/L 09/11/2025	1	Vendor Pricing	Unadjusted broker quote
Total	1,510		

30 June 2025

Description	Fair value as at 30 June 2025 £000	Valuation technique	Significant Unobservable inputs
N0r5ke Viking 21-03/05/2024 FRN	882	Vendor Pricing	Unadjusted Broker Quote
Secured Income Fund Plc	8	Vendor Pricing	Unadjusted Broker Quote
New Look Plc Shareholder T/L 09/11/2025	1	Vendor Pricing	Unadjusted Broker Quote
Total	891		

The remaining 44 investments (2025: 28) classified as Level 3 have not been included in the above analysis as they have fair value of £nil as at 30 June 2026 and 30 June 2025.

23 RELATED PARTY TRANSACTIONS

The Directors are considered to be the Company's key management personnel. Their remuneration is disclosed in note 4 and their beneficial interests in the Company's ordinary shares are set out on page 56. There were no amounts outstanding to the Directors at the year end.

Transactions with the Investment Manager are regarded as related party transactions for the purposes of these financial statements. Details of the Investment Management Agreement and the fees payable during the year are disclosed in note 3.

24 CONTROLLING PARTY

In the Directors' opinion, the Company has no ultimate controlling party.

25 MATERIAL EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board has evaluated subsequent events for the Company through to 17 September 2026, the date the Financial Statements were available to be issued and has concluded that the material events listed below do not require adjustment of the Financial Statements.

Block listing facility

On 14 July 2026, a block listing facility for 91,000,000 new shares was approved by the UK Listing Authority.

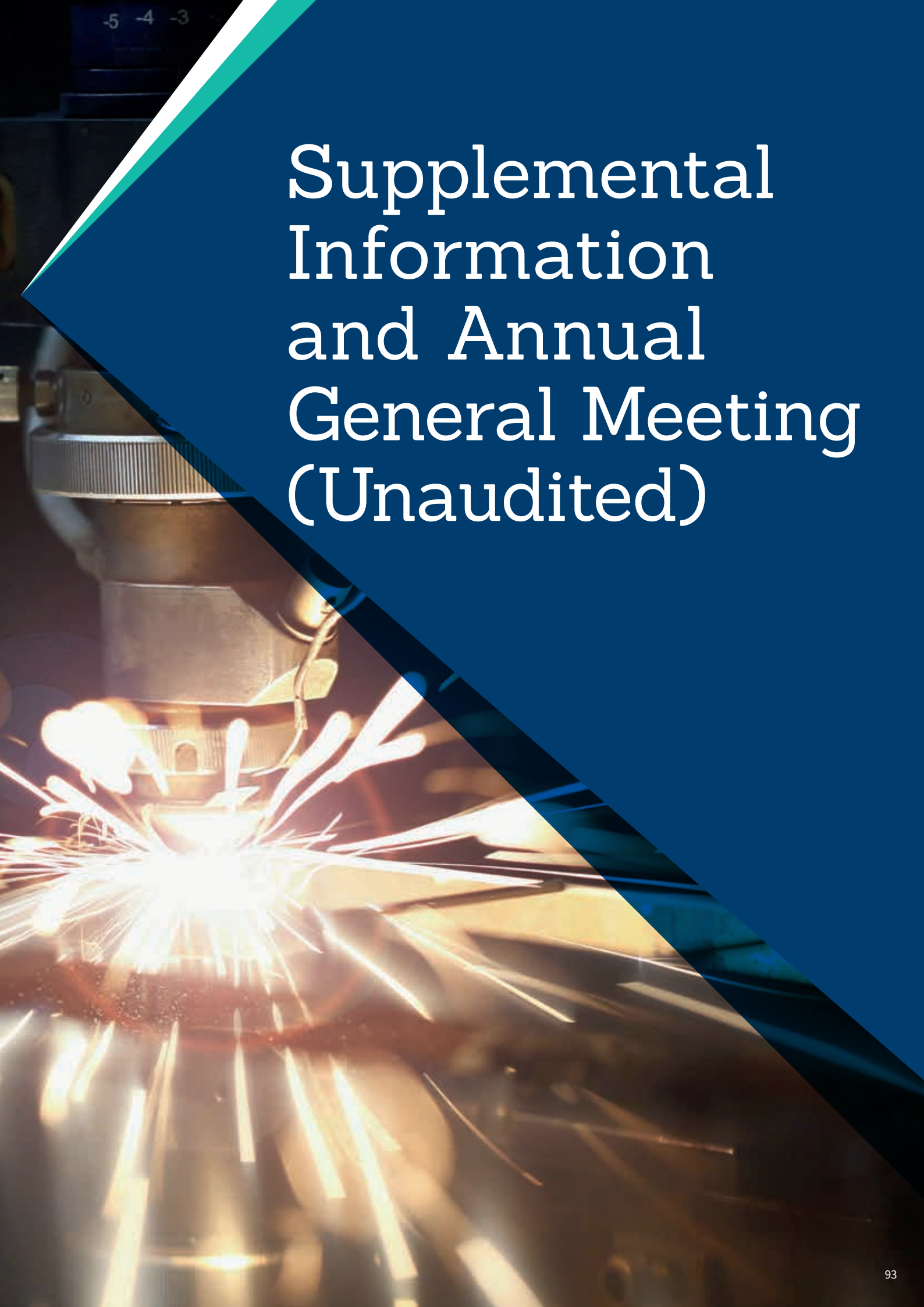
Dividend declaration

The fourth interim dividend of 1.52 pence per ordinary share was announced on 21 July 2026 and paid on 28 August 2026 to Shareholders on the register on 31 July 2026, having an ex-dividend date of 30 July 2026.

Share issuance

Between 1 July 2026 and 17 September 2026, the Company has undertaken a further fourteen issues of ordinary shares issuing, in total, an additional 32,800,000 ordinary shares of no par value for total consideration of £16,498,000. As at the date of this report, the issued share capital of the Company was 723,251,858 ordinary shares of no par value.



The background of the slide is a photograph of an industrial welding process. Bright sparks are being emitted from a point where a welding torch or electrode is in contact with a metal surface. The sparks are concentrated in the lower-left quadrant and fan out towards the right. A large, dark blue diagonal shape covers the upper-right portion of the image, serving as a background for the text. The text is white and is positioned within this blue area. In the top-left corner, there are some faint, partially visible numbers: -5, -4, and -3.

Supplemental Information and Annual General Meeting (Unaudited)

Glossary of Terms and Definitions

Alternative Performance Measures (“APMs”)	Alternative performance measures are numerical measures of the Company’s current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company’s applicable financial framework includes IFRS and the AIC SORP.
Net Asset Value or NAV and NAV per ordinary share	The value of total assets less total liabilities. Liabilities for this purpose include current and long-term liabilities. To calculate the NAV per ordinary share, the NAV is divided by the number of shares in issue.
NAV and ordinary share price total return	The return to Shareholders is calculated on a per ordinary share basis by adding dividends paid and declared in the period to the increase or decrease in the share price (bid) or NAV. The dividends are assumed to have been reinvested in the form of ordinary shares or net assets.
Reference rate (“RFR”)	The SONIA (Sterling Overnight Index Average) reference rate displayed in the relevant screen of any authorised distributor of that reference rate.
Shareholder	Investor who holds shares in the Company.

Alternative Performance Measures

In accordance with European Securities and Markets Authority Guidelines on APMs the Board has considered what APMs are included in the Annual Report and Financial Statements which require further clarification.

The Company uses the following APMs (as described below) to present a measure of profitability which is aligned with the requirements of our investors and potential investors, to draw out meaningful data around revenues and earnings and to provide additional information not required for disclosure under accounting standards:

- ▶ NAV total return
- ▶ Ordinary share price total return
- ▶ Revenue earnings per ordinary share
- ▶ Annual dividends per ordinary share
- ▶ Dividend cover
- ▶ Revenue reserve per ordinary share
- ▶ Dividend yield
- ▶ Premium
- ▶ Gearing
- ▶ Ongoing charges ratio

All APMs relate to past performance. The following tables detail the methodology of the Company's APMs.

NAV and ordinary share price total return

The return to Shareholders is calculated on a per ordinary share basis by adding dividends paid and declared in the period to the increase or decrease in the share price (bid) or NAV. The dividends are assumed to have been reinvested in the form of ordinary shares or net assets.

2026	Annual dividend per ordinary share	NAV	Ordinary share price (bid)
30 June 2025	4.51p	48.37p	51.40p
30 June 2026	4.52p	48.55p	51.80p
Capital return		0.37%	0.78%
Effect of dividend reinvestment		9.83%	9.28%
Total return		10.20%	10.06%

2025	Annual dividend per ordinary share	NAV	Ordinary share price (bid)
30 June 2024	4.50p	49.59	52.20
30 June 2025	4.51p	48.37	51.40
Capital return		(2.46%)	(1.53%)
Effect of dividend reinvestment		9.44%	8.96%
Total return		6.98%	7.43%

Alternative Performance Measures

Continued

Revenue earnings per ordinary share

Revenue earnings (which includes dividends paid out during the year) divided by the weighted average number of ordinary shares in issue during the financial year.

		2026	2025
Revenue earnings	a	30,485,000	£25,643,000
Weighted average number of ordinary shares in issue	b	657,189,803	579,270,488
Revenue earnings per ordinary share	(a/b)*100	4.64p	4.43p

Annual dividend per ordinary share

The total amount of dividends declared for every issued ordinary share over the Company's financial year.

Dividend History	Rate	xd date	Record date	Payment date
First interim 2026	1.00p	23 October 2025	24 October 2025	28 November 2025
Second interim 2026	1.00p	22 January 2026	23 January 2026	27 February 2026
Third interim 2026	1.00p	30 April 2026	1 May 2026	29 May 2026
Fourth interim 2026	1.52p	30 July 2026	31 July 2026	28 August 2026
Annual dividend per ordinary share				

First interim 2025	1.00p	24 October 2024	25 October 2024	29 November 2024
Second interim 2025	1.00p	23 January 2025	24 January 2025	21 February 2025
Third interim 2025	1.00p	1 May 2025	2 May 2025	30 May 2025
Fourth interim 2025	1.51p	31 July 2025	1 August 2025	29 August 2025
Annual dividend per ordinary share	4.51p			

Dividend cover

Revenue earnings per ordinary share divided by the annual dividend per ordinary share expressed as a ratio.

		2026	2025
Revenue earnings per ordinary share	a	4.64p	4.43p
Annual dividend per ordinary share	b	4.52p	4.51p
Dividend cover	a/b	1.03x	0.98x

Revenue reserves per ordinary share

Revenue reserve (which includes dividends paid out during the year) divided by the number of ordinary shares at the Statement of Financial Position date.

		2026	2025
Revenue reserve	a	£17,385,000	£16,104,000
Ordinary shares in issue	b	690,451,858	617,701,858
Revenue reserves per ordinary share	(a/b)*100	2.52p	2.61p

Dividend yield

The annual dividend per ordinary share expressed as a percentage of the share price (bid price).

		2026	2025
Annual dividend per ordinary share	a	4.52p	4.51p
Share price (bid price)	b	51.80p	51.40p
Dividend yield	(a/b)*100	8.73%	8.77%

Premium

The amount by which the market price per ordinary share of an investment company is higher or lower than the NAV per ordinary share. The discount or premium is expressed as a percentage of the NAV per ordinary share.

		2026	2025
Share price (bid price)	a	51.80p	51.40p
NAV per ordinary share	b	48.55p	48.37p
Premium	(a-b)/b	6.69%	6.26%

Gearing

The level of borrowing that the Company has undertaken. Represented by total assets (being total assets less current liabilities (excluding borrowings)) less all cash, expressed as a percentage of Shareholders' funds (being the NAV of the Company) minus 100.

		2026 £'000	2025 £'000
Total assets		375,893	343,521
Current liabilities (excluding borrowings)		(695)	(4,742)
Cash and cash equivalents		(3,871)	(10,054)
Total	a	371,327	328,725
NAV	b	335,198	298,779
Gearing	((a/b)*100)-100	10.78%	10.02%

Ongoing charges ratio

A measure of all operating costs incurred in the reporting period, calculated as a percentage of average net assets in that year. Operating costs exclude costs suffered within underlying investee funds, costs of buying and selling investments, interest costs, taxation and the costs of buying back or issuing ordinary shares.

		2026	2025
Average NAV	a	316,906,578	281,489,049
Operating expenses per Statement of Comprehensive Income		3,879,000	3,565,000
Ineligible expenses		(346,000)	(264,000)
Operating expenses	b	3,533,000	3,301,000
Ongoing charges figure (calculated using the AIC methodology)	(b/a)*100	1.11%	1.17%

Annual General Meeting 2026 – Explanation of AGM Resolutions

Resolution 1: Annual Financial Statements and Directors' and Auditor's Reports

The Directors are required to lay before the AGM copies of the directors' report and audited financial statements of the Company for the year ended 30 June 2026, together with the Auditors' report thereon (2026 Annual Report). Shareholders will be given an opportunity at the meeting to ask questions on these items before being invited to receive them.

Resolution 2: Remuneration Report

As a Jersey domiciled Company, the Directors are not required to present its remuneration policy to Shareholders at the AGM. In line with best practice, however, the Directors present the remuneration report in the form set out in the Company's annual financial report for 2026 to Shareholders for approval.

Resolution 3: Dividend Policy

To approve the Company's dividend policy as detailed on page 43.

Resolutions 4 to 7: Re-election and Appointment of Directors

In accordance with the recommendations of the AIC Code of Corporate Governance, all Directors apart from Mr John Newlands, who is due to retire at the AGM, and Ms Joanna Dentskevich, who is proposed to be elected as a Director, put themselves forward for re-election.

Resolutions 8 and 9: Re-appointment and Remuneration of the Auditor

Shareholders are requested to approve the reappointment of the Company's Auditor, PricewaterhouseCoopers CI LLP, and are also asked to give Directors the authority to determine the Auditor's remuneration. PricewaterhouseCoopers CI LLP has expressed its willingness to continue as Auditor of the Company.

Resolution 10: Continuation Vote

In accordance with the Company's Articles of Association (the Articles), this resolution proposes to continue the Company as an investment company. In the event that the resolution is not passed, the Board would put forward further proposals at an extraordinary general meeting to liquidate or reconstruct the Company.

Resolution 11 and 12: Directors' Authority to Allot Shares

Pursuant to the Company's Articles, the Directors are required to seek a disapplication of pre-emption rights from Shareholders before issuing new shares on a non-pre-emptive basis. In order to continue with its programme of new share issues, the Board is therefore proposing that the annual disapplication of pre-emption rights authority is given to the Directors so that they may continue to issue shares as and when appropriate.

Accordingly, Resolutions 11 and 12 authorise the Board to allot on a non-pre-emptive basis:

- (a) (pursuant to Resolution 11) up to 10% of the issued ordinary share capital of the Company; and
- (b) (pursuant to Resolution 12) up to a further 10% of the issued ordinary share capital of the Company.

If both Resolution 11 and Resolution 12 are passed, Shareholders will be granting the Directors the authority to allot a total of up to 20% of the existing issued ordinary share capital of the Company in aggregate on a non-pre-emptive basis. If Resolution 11 is passed but Resolution 12 is not passed, Shareholders will only be granting Directors the authority to allot up to 10% of the existing issued ordinary share capital of the Company on a non-pre-emptive basis.

New ordinary shares will not be issued at a price less than the prevailing NAV per ordinary share, after taking into account any costs incurred by the Company in connection with such issue. Any issues of new ordinary shares will be carried out in accordance with the UKLR.

Each of the authorities granted pursuant to Resolution 11 and Resolution 12 shall expire on the earlier of eighteen months from the date of the resolution or at the conclusion of the next Annual General Meeting.

The authority granted by Resolution 12 shall be in addition to, and not in place of, the authority set out in Resolution 11 and any subsequent renewal thereof.

Resolution 13: Directors' Authority to Buy Back Shares

The current authority of the Company to make purchases of up to approximately 14.99% of its issued capital expires at the end of the Annual General Meeting and Resolution 13 seeks renewal of such authority until the next Annual General Meeting (or the expiry of fifteen months from the date of the passing of the resolution, if earlier). The maximum and minimum prices to be paid for shares are set out in Resolution 13. This power will be exercised only if, in the opinion of the Directors, a repurchase would result in an increase in NAV per ordinary share and would be in the best interests of Shareholders as a whole. Any shares purchased under this authority will either be held in treasury or cancelled.

Notice of Annual General Meeting

NOTICE is hereby given that the twentieth Annual General Meeting of CQS New City High Yield Fund Limited (the Company) will be held at the Company's registered office of IFC1, The Esplanade, St. Helier, Jersey, JE1 4BP on 10 December 2026 at 11:00 a.m. GMT for the following purpose:

To consider and, if thought fit, pass resolutions 1 to 10 as ordinary resolutions and resolutions 11 to 13 as special resolutions.

Ordinary Business

1. To receive the directors' report and audited financial statements of the Company for the year ended 30 June 2026, together with the auditors' report thereon.
2. To approve the directors' remuneration report in the form set out in the Company's annual financial report for 2026.
3. To approve the Company's Dividend Policy.
4. To re-elect Ms Caroline Hitch as a director of the Company.
5. To re-elect Mr Andrew Dann as a director of the Company.
6. To re-elect Mr Ian Cadby as a director of the Company.
7. To elect Ms Joanna Dentskevich as a director of the Company.
8. To re-appoint PricewaterhouseCoopers CI LLP as the Company's independent Auditors.
9. To authorise the directors to agree the remuneration of the Company's independent Auditors.
10. That, pursuant to Article 172 of the Company's Articles of Association, the Company shall continue as an investment fund until the conclusion of the next Annual General Meeting of the Company.

Special Business

11. That, the Company be authorised to issue equity securities (as defined in Article 16.2 of the Company's Articles of Association) for cash, as if the provisions of Article 16.2 did not apply to any such issue, including by way of a sale of ordinary shares held by the Company as treasury shares, in such amount

as represents up to 10% of the Company's issued share capital as at the date of the passing of this resolution, provided that such authorisation shall expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting by Special Resolution) at the earlier of the conclusion of the next annual general meeting of the Company or eighteen months from the date of this resolution but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be issued after such expiry and the directors of the Company may issue equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.

12. That, the Company be authorised to issue equity securities (as defined in Article 16.2 of the Company's Articles of Association) for cash, as if the provisions of Article 16.2 did not apply to any such issue, including by way of a sale of ordinary shares held by the Company as treasury shares, in such amount as represents up to 10% of the Company's issued share capital as at the date of the passing of this resolution, provided that such authorisation shall expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting by Special Resolution) at the earlier of the conclusion of the next annual general meeting of the Company or eighteen months from the date of this resolution but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be issued after such expiry and the directors of the Company may issue equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.

The authority granted by this Resolution 12 shall be in addition to, and not in place of, the authority set out in Resolution 11 and any subsequent renewal thereof.

13. That, pursuant to Article 57 of the Companies (Jersey) Law 1991, the Company be generally and unconditionally authorised to make one or more market purchases of ordinary shares of no par value in the capital of the Company (ordinary shares) provided that:

- (i) the maximum aggregate number of ordinary shares authorised to be purchased shall be equal to 14.99% of the total issued share capital of the Company on the date at which the resolution is passed;
 - (ii) the minimum price which may be paid by the Company for an ordinary share is 1p;
 - (iii) the maximum price, exclusive of expenses, which may be paid for an ordinary share is an amount equal to the higher of:
 - (a) 105% of the average of the middle market quotations for an ordinary share as derived from the Daily Official List of the LSE for the five business days immediately preceding the day on which the ordinary share is purchased; and
 - (b) the higher of (1) the price of the last independent trade in ordinary shares and (2) the highest current independent bid for ordinary shares on the LSE's Main Market;
 - (iv) any ordinary shares to be purchased may be cancelled or held as treasury shares in accordance with the Companies (Jersey) Law, 1991, provided that the Company shall not hold as treasury shares more than 10% of the aggregate number of ordinary shares in issue at any one time;
 - (v) this authority expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or fifteen months from the date of the passing of this resolution, whichever is earlier;
 - (vi) the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority and may make a purchase of ordinary shares in pursuance of any such contract; and
 - (vii) the Directors provide a statement of solvency in accordance with Articles 55 and 57 of the Companies (Jersey) Law, 1991.
- The Company requests that any Shareholders wishing to attend the Annual General Meeting to advise the Company Secretary by email or in writing as detailed in note 3 below.

By Order of the Board

BNP Paribas S.A., Jersey Branch
Company Secretary

17 September 2026

Notice of Annual General Meeting

Continued

Notes:

1. Information about this meeting is available from the Company's website; www.ncim.co.uk.
2. As a member who is entitled to attend and vote at this meeting you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote on your behalf. Such a proxy need not also be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.
3. Any Shareholder wishing to attend the Annual General Meeting can advise the Company of their intention to do so by writing to the Company Secretary at BNP Paribas S.A., Jersey Branch, IFC 1, The Esplanade, St Helier, Jersey, JE1 4BP or by email at jersey.bp2s.ncyf.cosec@bnpparibas.com.
4. A form of proxy is enclosed for use at the meeting. To be valid, the proxy card and any power of attorney or other authority, if any, under which it is signed, or a certified copy thereof must be lodged with the Company's registrar, Computershare Investor Services (Jersey) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZZ at least 48 hours before the meeting.
5. Completion of the proxy card will not prevent a Shareholder from attending the meeting and voting in person.
6. Pursuant to Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, the Company has specified that only those Shareholders registered on the register of members of the Company as at 6.00 pm on 8 December 2026, or in the event that the meeting is adjourned, on the register of members 48 hours before the time of the meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that relevant time. Changes to entries on the register of members after 6.00 pm on 1 December 2026, or in the event that the meeting is adjourned to a later time, on the register of members 48 hours before the time of any adjourned meeting, shall be

disregarded in determining the rights of any person to attend and vote at the meeting.

Electronic receipt of proxies

7. To appoint one or more proxies or give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the Company's agent (ID number 3RA50) no later than the 8 December 2026 at 11am. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 or Article 34 of the Companies (Uncertificated Securities) (Jersey) Order 1999. Instructions on how to vote through CREST can be found on the website www.euroclear.com.

Report of the Investment Manager

Relating to Matters under the Alternative Investment Fund Managers' Directive (unaudited)

Risk management systems

The Company's Prospectus sets out the risks to which the Company is exposed. The AIFM employs risk management disciplines which monitor the portfolio and quantify and manage the associated market and other risks. A permanent independent department has been established by the AIFM to perform the risk management function. The Manulife | CQS Investment Management's Risk Team is led by the Head of Risk and is functionally and hierarchically separate from the operating units of the portfolio managers.

The Risk Team is a dedicated control function over the operating units of the AIFM and is not involved in the performance activities of the Company. The Risk Team has designed, documented and implemented effective risk management policies, processes and procedures in order to identify, quantify, analyse, monitor, report on and manage all material risks relevant to the Company's investment strategy.

Material changes to information required to be made available to investors of the Company

No material changes.

Assets of the Company subject to special arrangements arising from their illiquid nature

There are no assets of the Company which are subject to special arrangements arising from their illiquid nature.

Remuneration

The AIFM has adopted a remuneration policy which meets the requirements of the Directive and has been in place for the current financial year of the Company. The variable remuneration period of the AIFM ended on 31 December 2025 and therefore coincides with the financial year of the Company.

The below information provides the total remuneration paid by the AIFM (and any delegates) for the year ending 31 December 2025. This has been presented in line with the information available to the Company. There is no allocation made by the AIFM to each AIF and as such the disclosure reflects the remuneration paid to individuals who are partly or fully involved in the AIF, as well as staff of any delegate to which the firm has delegated portfolio management and/or risk management responsibilities in relation to the AIF.

Of the total AIFM remuneration paid of \$51.7m for the year ended 31 December 2025 to 124 individuals (full time equivalent), \$19.4m has been paid as fixed remuneration determined with the remainder being paid as variable remuneration.

The AIFM has assessed the members of staff whom it determines to be code staff in accordance with the requirements of Senior Management Arrangements, Systems and Controls (SYSC) 19.B of the FCA Handbook (the AIFM Remuneration Code). There are 12.0 individuals (full time equivalent) who meet this definition and these individuals have collectively been compensated \$24.9m.

Not all individuals are directly remunerated by the AIFM due to the structure of the AIFM entity, however in the interests of meeting the underlying requirement of this disclosure all staff involved have been assessed as if directly remunerated by the AIFM.

Corporate Information

Registered Number

95691

Registered Office

CQS New City High Yield Fund Limited

IFC1

The Esplanade

St Helier

Jersey JE1 4BP

Directors

Caroline Hitch (Chair)

Ian Cadby (Senior Independent Director)

Andrew Dann (Audit and Risk Committee Chair)

Joanna Dentskevich (appointed on 1 February 2026)

John Newlands

Investment Manager

Manulife | CQS Investment Management

1 Strand

London

WC2N 5HR

AIFM

Manulife | CQS Investment Management

1 Strand

London

WC2N 5HR

Company Secretary, Administrator, Custodian, Banker and Depositary

BNP Paribas S.A., Jersey Branch

IFC1

The Esplanade

St Helier

Jersey JE1 4BP

Registrar

Computershare Investor Services (Jersey) Limited

13 Castle Street

St. Helier, Jersey JE1 1ES

Channel Islands

Financial Adviser and Corporate Broker

Singer Capital Markets

1 Bartholomew Lane

London

EC2N 2AX

Independent Auditor

PricewaterhouseCoopers CI LLP

37 Esplanade, St Helier

Jersey, Channel Islands

JE1 4XA

Jersey Legal Advisors

Ogier (Jersey) LLP

Ogier House, The Esplanade

St. Helier

Jersey, JE4 9WG

UK Legal Advisors

Dentons LLP

One Fleet Place,

London EC4M 7WS

Investor Relations Adviser

Cardew Group

29 Lincoln's Inn Fields

London WC2A 3EG

Website

www.ncim.co.uk

ISIN

JE 00B1LZS514

Shareholder Information

Net Asset Value/Share Price

The net asset value of the Company's ordinary shares may be obtained by contacting Manulife | CQS on 020 7201 6900 or by email at clientservice@cqsm.com or alternatively by visiting the Company's web site at www.ncim.co.uk.

CQS

