

# CQS Natural Resources Growth and Income

## KEY FUND FACTS<sup>1</sup>

### Fund Managers

Ian 'Franco' Francis  
Keith Watson  
Robert Crayfourd

### Launch Date

August 2003

### Total Gross Assets

£134.61m

### Reference Currency

GBP

### Ordinary Shares

Net Asset Value: 178.82p  
Mid-Market Price: 139.50p

### Yield (estimated)

4.0%

### Gearing

11.1%

### Discount

(21.99%)

### Ordinary Shares in Issue

66,888,509

### Annual Management Fee

1.2% on adjusted net assets

### Bloomberg: CYN LN

Reuters: CYN.L

Sedol: 0035392

### Year End

30 June

### Contact Information

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### Company Broker

N+I Singer  
+44 (0) 207 496 3000

### AGM

December

### Dividend Information

#### 2020/21

1.26p interim paid 30 Nov 2020  
1.26p interim paid 26 February 2021  
1.26p interim paid 28 May 2021  
1.82p interim paid 31 August 2021

See *overleaf* for previous Dividend information

### Fiscal Year-End

30 June

## Fund Description

The investment objective is to provide shareholders with capital growth and income predominantly from a portfolio of mining and resource equities, and of mining, resource and industrial fixed interest securities.

### Ian Francis, Keith Watson and Robert Crayfourd (L to R)

Portfolio Managers CQS Natural Resources Growth and Income



## Fund Management

Founded in 1999, CQS is a \$21.4bn<sup>2</sup> global multi-strategy asset management firm. The Fund is managed by Ian 'Franco' Francis, Keith Watson and Robert Crayfourd. Supported by the CQS credit analyst team.

### Ordinary Share and NAV Performance<sup>1</sup>

	1 Month (%)	3 Month (%)	6 Month (%)	1 year (%)	3 Year (%)	5 Year (%)	Since Inception
NAV	4.1	4.1	19.0	68.6	58.7	56.1	475.4
Share Price	2.8	(10.6)	0.2	57.5	55.2	56.5	392.9
Benchmark	(6.0)	(7.3)	(7.0)	14.1	45.3	75.3	472.4

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

Industrial metal prices were broadly pressured in September. News that the distressed Chinese property conglomerate, Evergrande, had defaulted on some bonds weighed heavily on growth prospects and sentiment towards metals. In addition, rising demand for energy and associated increase in power costs continued to pressure the industrial sector with news of factory closures, particularly in the energy intensive steel manufacturing sector, which also acted as a drag on global growth prospects and the near-term outlook for metal demand. Most notably, iron ore benchmark prices dropped nearly (21.5%). Base metals were less affected with steel input nickel declining a lesser (8.4%) and copper (6.1%), as higher energy costs may also restrict smelting production of metals.

Despite such news, markets nevertheless switched tack and began to anticipate the prospect of Fed and ECB tapering, which lifted the US dollar as evidenced by the 2% strength against sterling as inflation pressures from rising labour, energy and raw material costs continue to build. As a result, precious metals also eased back in September with gold and silver ending the month down (3.1%) and (8.2%) respectively, retracing the prior month's gains achieved in the run-up to the dovish Fed commentary announced at the Jackson Hole economic gathering. Discussion over the necessity to again raise the US government debt ceiling to nearly US\$29tn, refocused attention on the magnitude of government borrowing and the limited scope available to actually increase borrowing costs. Having declined by nearly 5%, gold subsequently showed some modest recovery into the month-end with a weak US employment reading providing some additional impetus to this move.

In contrast to the above metal price declines, momentum in energy price gains accelerated markedly. Against a backdrop of the global stance to limit fossil fuel emissions and reduce the supply of such commodities with policy emphasis tilted heavily towards renewable and low carbon power, the post-Covid economic recovery has resulted in a scramble for power. Exacerbated by supply curtailments, including reduced fuel inventories held by utilities and logistics bottlenecks, gas and coal prices soared with Asian LNG prices and benchmark thermal coal prices rising nearly 71% and 37% respectively over the month. Crude prices also improved around 7.5% as OPEC announced that it would continue with its plan to increase monthly output by 400kbpd rather than accelerate supply additions despite rising demand. Such has been the move in gas prices that on an energy equivalence basis, Asian LNG equated to US\$175/bbl. As a result, where possible, utilities appear to be switching to burning oil in preference to more expensive gas, while some generation capacity is becoming uneconomic and being forced to close, aggravating the situation.

Early in the month, the Fund sought to increase energy related exposure and reduce exposure to industrial metals, to protect against impacts of the energy crisis. The Fund purchased some shares in gas producers ahead of the more recent price spike extremes, noting their attractive valuations. The Fund also increased equity exposure to crude shipper Euronav, as crude shipping markets look likely to tighten. A basket of base metal equities was sold in response to heightened broader market risks. In addition, some profits were taken on dry bulk shipper 2020 Bulkers, Sigma Lithium and Foran Mining, all of which have performed extremely well.

**KEY FUND FACTS** *(continued)*

**Dividend Information** *(continued)*

2012/13	Total	5.50p
2013/14	Total	5.60p
2014/15	Total	5.60p
2015/16	Total	5.60p
2016/17	Total	5.60p
2017/18	Total	5.60p
2018/19	Total	5.60p
2019/20	Total	5.60p

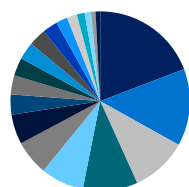
**Investor Report**  
Monthly Factsheet

**Annual Report & Accounts**  
Published: October

**Results Announced**  
Finals: October  
Interims: March

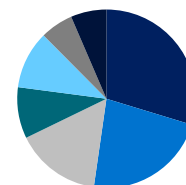
**Portfolio Analysis**<sup>1</sup>

**Sector**



■ Copper 19.2%	■ Gold 13.9%
■ Oil & Gas 10.2%	■ Shipping 9.9%
■ Lithium 7.8%	■ Uranium 6.3%
■ Base metals 5.4%	■ Palm Oil 3.6%
■ Fixed Interest Securities 3.4%	■ Zinc 3.3%
■ Nickel 3.2%	■ Coal 3.2%
■ Rare Earth 2.7%	■ Silver 2.1%
■ Diversified Minerals 1.8%	■ Property 1.4%
■ Platinum 1.2%	■ Mineral Sands 0.8%
■ Iron 0.8%	■ Agriculture 0.1%

**Region**



■ North America 29.7%	■ Latam 22.6%
■ Australia 15.5%	■ Africa 9.3%
■ Global 10.5%	■ Europe 6.0%
■ Asia 6.5%	

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

	Gross Leverage (%) <sup>4</sup>	Commitment Leverage (%) <sup>5</sup>
CQS Natural Resources Growth and Income	110	110

<sup>4</sup>Source: CQS, as at 30 September 2021. For methodology details see Article 4(3) of Directive 2011/61/EU (AIFMD) and Articles 6, 7, 9 and 10 of Delegated Regulation 231/2013.

<sup>5</sup>Source: CQS, as at 30 September 2021. For methodology details see Article 4(3) of Directive 2011/61/EU (AIFMD) and Articles 6, 8, 9, 10 and 11 of Delegated Regulation 231/2013.

**TOP 20 HOLDINGS** (%)<sup>1, 6</sup>

Name	(% of MV)
First Quantum Minerals <sup>7</sup>	7.0
Sigma Lithium Resources	6.9
West African Resources	4.7
Foran Mining	4.2
Euronav Luxembourg <sup>8</sup>	4.1
Nexgen Energy	3.9
R E A Holdings <sup>9</sup>	3.9
Metals X	3.8
Ero Copper	3.4
Talon Metals <sup>10</sup>	3.2
<b>Top 10 Holdings Represent</b>	<b>45.1</b>
Diversified Energy	2.9
Precision Drilling	2.7
Lynas	2.7
2020 Bulklers	2.7
Arch Resources	2.6
Capstone Mining	2.6
BW LPG	2.2
Emerald Resources	2.1
Trevali Mining <sup>11</sup>	1.9
Tech Resources	1.8
<b>Top 20 Holdings Represent</b>	<b>69.3</b>

*The Company has exposure to 95 issues.*

### IMPORTANT INFORMATION:

Source: <sup>1</sup>CQS, as at 30 September 2021. <sup>2</sup>Total return performance as at 30 September 2021. The Company's investment benchmark is 80 per cent. Euromoney Global Mining Index (sterling adjusted) and 20 per cent Credit Suisse High Yield Index (sterling adjusted). Performance data is calculated from 1 August 2003 (total return basis). <sup>3</sup>All market data sourced from Bloomberg unless otherwise stated. All returns quoted in local currency unless otherwise stated. The Company may since have exited some or all of the positions detailed in the commentary. All returns quoted in local currency unless otherwise stated. The Company may since have exited some or all of the positions detailed in the commentary. <sup>4</sup>All holdings data are rounded to one decimal place. Totals may therefore differ to sum of constituents. These include historic returns and past performance is not a reliable indicator of future results. The value of investments can go down as well as up. Please read the important legal notice at the end of this document. <sup>7</sup>Includes First Quantum Minerals equity valued at £8,441,358.49 and First Quantum Minerals 7.5% 01/04/2025 equity valued at £760,8000.24. <sup>8</sup>Includes Euronav NV equity valued at £4,810,101.52, Euronav Luxembourg SA 7.5% 31/05/2022 valued at £153,520.97 and Euronav Luxembourg 6.25% 14/09/26 Usd valued at £452,330.63. <sup>9</sup>Includes Rea Finance 8.75% 31/08/2025 equity valued at £452,500.00, R.E.A. Holdings Plc Ordinary 25p equity valued at £4,051.780 and Rea Holdings Preferred valued at £4,630,342.24. <sup>10</sup>Includes Talon Metals Corp valued at £4,139,481.31 and Talon Metals Warrants 18/03/22 valued at £0.18. <sup>11</sup>Includes Trevali Mining Corp valued at £2,433,920.20 and Trevali Mining Warrants valued at £41,138.24.

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