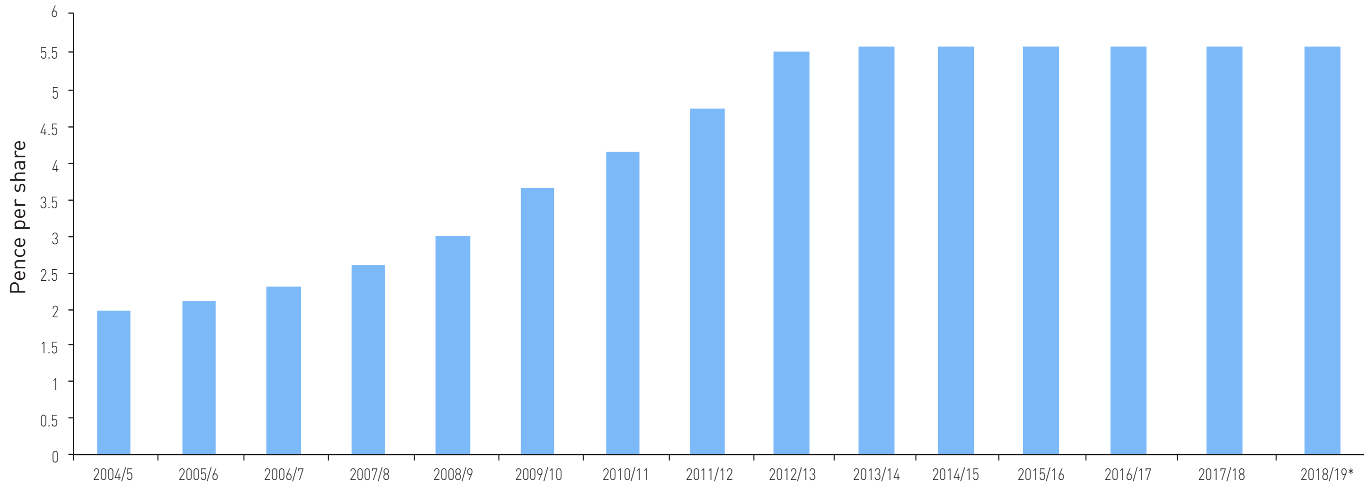
cqs natural resources
growth and income plc

Interim Report

for the six months ended
31 December 2018

Dividends Declared in Respect of Each Financial Year



* 2018/19 assumes that the third interim dividend in respect of the financial year ended 30 June 2019 remains in line with the first and second interim payments paid for that year at 1.26 pence per share and that the fourth interim dividend in respect of the financial year ended 30 June 2019 is estimated to be 1.82 pence per share.

Net Asset Value Total Return and Share Price Total Return v Composite Index Total Return

(Index restated to 100)
Sources: Maitland Administration Services (Scotland) Limited and Bloomberg

(i) Net dividends reinvested.

(ii) Composite index of 80 per cent EMIX Global Mining Index (sterling adjusted) and 20 per cent Credit Suisse High Yield Index (sterling adjusted).

Note: Graph starts at 1 August 2003, this being the date from which the investment objective changed.

Our Objective

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.

Contents

Financial Highlights

Total Return	Six months ended 31 December 2018	Six months ended 31 December 2017	Year to 30 June 2018	Period from 1 August 2003 to 31 December 2018
Net asset value	-25.8%	16.2%	12.0%	200.2%
Ordinary share price	-21.6%	12.9%	9.9%	166.1%
Composite index	-5.3%	13.8%	17.4%	278.4%
EMIX Global Mining Index (sterling adjusted)	-6.9%	21.8%	23.2%	286.2%
Credit Suisse High Yield Index [sterling adjusted]	1.0%	-1.3%	1.4%	271.5%

Capital Values	31 December 2018	30 June 2018	% change period
Net asset value per share	**102.8p**	142.4p	-27.8%
Ordinary share price (mid market)	**87.1p**	115.3p	-24.5%

Revenue and Dividends	Six months ended 31 December 2018	Six months ended 31 December 2017
Earnings per ordinary share	**1.20p**	1.86p
Dividends per ordinary share	**2.52p**	1.72p
Dividend Yield*	**6.4%**	4.7%
Discount (difference between share price and fully diluted net asset value)	**15.3%**	20.0%
Gearing		
Gearing	**13.8%**	22.2%
Ongoing charges (as a percentage of average shareholders' funds)	**1.8%**	1.8%

Period's Highs/Lows	Six months ended 31 December 2018 High	Six months ended 31 December 2018 Low
Net asset value	**143.0p**	98.0p
Ordinary share price (mid market)	**118.0p**	86.0p
Discount	**8.9%**	19.7%

Dividend History	Rate	xd date	Record date	Payment date
Second interim 2019 *	1.26p	24 January 2019	25 January 2019	28 February 2019
First interim 2019 *	1.26p	25 October 2018	26 October 2018	30 November 2018
Total	2.52p			
Fourth interim 2018	2.62p	26 July 2018	27 July 2018	31 August 2018
Third interim 2018	0.40p	7 June 2018	8 June 2018	22 June 2018
Third interim 2018	0.86p	26 April 2018	27 April 2018	25 May 2018
Second interim 2018	0.86p	25 January 2018	26 January 2018	28 February 2018
First interim 2018	0.86p	26 October 2017	27 October 2017	24 November 2017
Total	5.60p			

*based on an annualised dividend of 5.60p (31 December 2017: 5.60p)

Chairman's Statement

Overview

The six months to December 2018 can be seen in two halves, with the second half or Q4 of the calendar year, being aptly summed up by the Company's Investment Manager: "the final quarter was painful to performance". During that quarter we experienced a further chill in geopolitical tensions which led to macro concerns, and ultimately a sell off in natural resources equities around the world with a subsequent sell off in commodity prices. This had a direct impact on the Company's NAV as at 31 December 2018. However, the macro concerns have not been reflected in the fundamentals and we are cautiously optimistic that the worst may be behind us. In fact, in 2019 we are seeing a more positive outlook for global growth, and the Company's NAV has recovered somewhat in line with that sentiment.

Investment and Share Price Performance and Discount Control

At 31 December 2018 your Company's net asset value stood at 102.8 pence, giving a net asset value total return for the six months of -25.8 per cent. The benchmark index returned -5.3 per cent.

The Company's ordinary share price total return of -21.6 per cent for the six months was better than the net asset value total return, reflecting a narrowing in the discount at which the Company's shares trade from 19.0 per cent to 15.1 per cent during the period.

The average discount over the year to 31 December 2018 was 16.9 per cent and over three years it was 17.9 per cent. It remains the Board's aim to mitigate the discount at which the Company's shares trade by good long term performance.

As at 6 March 2019, the Company's net asset value was 108.5 pence and the share price was 91.9 pence, with the discount standing at 15.3 per cent.

Income and Dividends

Income and dividends have been a focus of the Company since 2003. The annual dividends per share are now 2.8 times the amount paid in 2004, and we believe they contribute an important element of stability and investor appeal in our volatile asset class.

Two interim dividends of 1.26 pence per share have been paid in respect of this year. This is part of the rebalancing of dividend payments announced on 12 March 2018 at the time of last year's interim results. The Company currently intends to pay a third interim dividend of 1.26 pence per share and a fourth interim dividend of 1.82 pence per share, which will make for total dividends of 5.60 pence per share, the same level as last year.

The Investment Manager has increased the portfolio's allocation to equities as foreseen by last year's strategic review, and has selected equities with an eye to total return and without regard to their yield. It is anticipated, that the dividend will again be uncovered for the current year and the Board will use distributable reserves to fund the shortfall. Notwithstanding this use of reserves, the Board believes that an increased allocation to equities as the sector recovers will deliver the best net asset value total return to shareholders at the same time as maintaining the level of dividends they receive.

The yield on the Company's shares is 6.1 per cent as at 7 March 2019.

Gearing and 3.5% Cumulative Unsecured Loan Stock 2018 ("CULS")

The CULS were repaid on 30th September 2018.

This repayment was partially financed by a new £20million unsecured revolving credit facility with Scotia Bank, the term being two years and interest at base rate plus 1.05% per annum.

Relative to the CULS, the benefits of the revolving credit facility include flexibility to draw down and repay during the life of the facility according to market conditions and lower fixed costs.

Net gearing currently stands at 13.3 per cent, with £14.0m of the credit facility drawn down.

Outlook

The Trump / China trade discussions are ongoing and although troubling, there are some positive signs of a compromise in the next quarter. Brexit continues to dominate the agenda locally and afar, though here too there are tentative signs of accession. Despite the increasing influence of political manoeuvring, global economic growth remains positive.

Looking forwards, the desire of President Trump to sustain domestic economic progress in the build-up to US Presidential elections in 2020, which can re-energise global growth expectations, offers scope for the volatile sector to perform well. In Europe too, recent developments offer hope that fractious negotiation within the bloc can be settled, removing the drag caused by uncertainty. Potential improvement in economic momentum offered by a US-

China trade agreement and clarity on the shape of Europe should allow other factors that accentuate market behaviour, notably broader levels of indebtedness, to take a back seat. The Manager has articulated in much more detail their views on this and, in particular, Company exposure to their investment themes. It is pleasing to note the recovery in NAV performance since December 2018 based on these views.

The case for the continuing relevance of your Company's investment objective and policy remains. I noted in October that the Company is well positioned to prosper in a world where the prospect for increased infrastructure spending remains undiminished.

One thing that Shareholders should take comfort from is your Company's structure. The fact of it being closed ended means that, even in troubled times, the Manager can invest over a medium to long term view without having to worry about financing cash outflows at the wrong time in the cycle. This, together with the diversified nature of the investment portfolio and the extensive research capabilities of the CQS group available to the Manager, allows us confidence in the future.

Richard Prickett
Chairman

7 March 2019

Investment Manager's Review

We believe global economic growth remains some way from recession as feared by markets into the close of 2018. Though growth is expected to decelerate as Trump trade policies weigh and US stimulus fades, it remains relatively robust. Most up-to-date forecasts, which take into account the effects of US-led trade dispute, point to global GDP growth of around 3.3% by 2020; yes a deceleration from almost 4% around a year ago but a relatively healthy rate of growth nevertheless. We believe downside risks to demand may also abate the drag from many of these factors, particularly US-China trade policy, have recently begun to ease. Behind the scenes we highlight that environmental policies still have traction. While the final quarter was painful to performance we believe there is good reason to think the worst may be over and we feel political motivations will drive an improvement in economic momentum. We see significant value, especially among base metal mining stocks which have been left behind in the more recent recovery in metal prices and have added exposure to our conviction positions.

Aggregate global growth remains robust – downside risks abating

Though global growth expectations have softened post Trump's tariff proposals, we believe markets have overreacted to fears of imminent downturn. China has implemented some measured stimulus to cushion itself by easing monetary conditions and provided direct infrastructure investment. Latest official data shows fixed asset investment in China has stabilised at 5.9% in December 2018. As supply chains realign to bypass regions such as China so other countries like South Korea, Thailand and Vietnam may benefit, limiting overall impact to global growth. Elsewhere India's healthy GDP growth, at 7%, now stands out as the fastest globally. There is little evidence of excess US spending or deteriorating labour market trends to suggest imminent US recession. Neither do we believe yield curves or OECD leading indicators signal imminent recession. As mentioned, though global growth has decelerated it appears to be stabilising. Further, we believe the deceleration in US growth, as post-election stimulus fades, may encourage a greater willingness by Trump to compromise on China trade negotiations in order to engineer healthy economic pathway to a 2020 re-election vote. This provides some insurance to support a more optimistic outlook.

In the meantime the US FED is also playing its part having already indicated a more dovish outlook for US interest rates which are no longer expected to rise as fast as previously thought. Led by the US, the cycle of central bank rate tightening globally has paused and the headwind for further US dollar strength that has also weighed on the resources sector has similarly eased.

Tariffs weigh on sentiment but focus is on technology IP protection

Notably, the substance of Trump's "America First" trade policy, which has held back global growth, has been watered down since first announced in spring 2018. Initial barriers on imported steel, aluminium and autos have been tempered with Europe, Canada and even Mexico granted exemptions. China remains the prime focus of attention. Commodity consuming sectors currently subjected to US tariffs represent around 9% of the US$250bn target list and as illustrated in the table below, barely figure in the next wave proposed. In other words, the damage to commodity markets has largely been felt. US policy is very much more focussed on the protection of intellectual property rights, particularly in the technology sector, which will represent nearly 35% of the overall value of Chinese goods currently imported by the US should the next ratchet in tariffs be implemented.

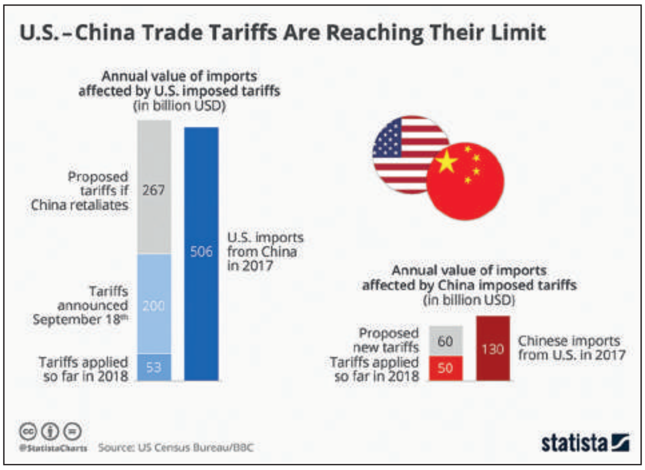
Most significant targets of US tariffs by value

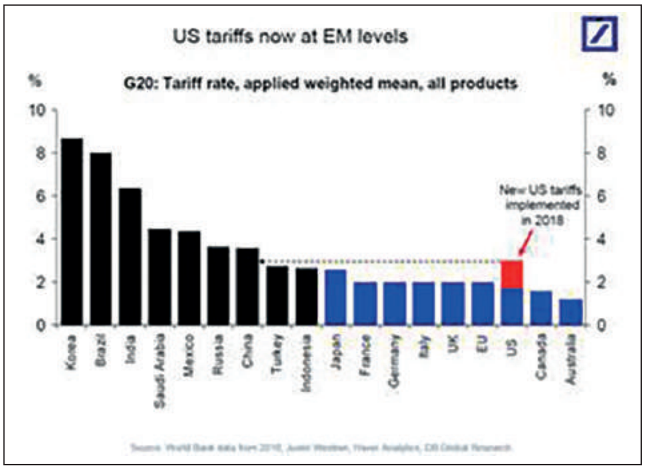
Total value of goods imported	**US$34bn**	**US$16bn**	**US$200bn**	**US$267bn**
Computer and computing equipment	1.6	0.1	23.5	41.4
Phones, incl cell phones				46
Apparel				35.3
Furniture			28.3	3.6
Other electrical equipment	3.8	5.2	6.5	1.2
Auto	1.7	0.4	11.6	0.8
Routers and switching equipment			23.6	2.1
Toys				25.5
Plastics		2.2	5.6	8.5
Other machinery	5.8	1.3	6	1.2
Audio visual equipment	1.7		3.3	12.2
Footwear			1.2	14.6
Iron/Steel		0.8	7.8	3.5
TV, monitors and displat equipment	0.5	0.1	0.4	11.4
Subtotal of larger targeted sectors	**15.1**	**10.1**	**117.8**	**207.3**
% of total	**44%**	**63%**	**59%**	**78%**
Tech related	7.6	5.4	57.3	114.3
Cumculative total	7.6	13	70.3	184.6
% of total	**21.1%**	**26.0%**	**28.1%**	**35.7%**
Commodity heavy sectors	1.7	1.2	19.4	4.3

Source USITC, Goldmans Sachs Investment Research Blue background – enacted in 2018 Red background – 10% tariff enacted January the first and a further ratchet to 25% proposed for March.

Latterly Trump has opened the door to possible conciliation with China. The original 1st January deadline for the ratchet on the next US$267bn wave of target goods has been extended, initially by 90 days, an olive branch that has provided some market relief. As a frame of reference, following the duties applied in 2018 US tariff rates, on a trade weighted basis, are already close to parity with China. The next wave of tariffs, if implemented will take the US barriers towards the more protectionist end of the spectrum.

US tariffs approaching parity with China





RHS chart - Blue columns show 2017, red = increase of 2018, 2019 would increase by similar level to 2018.

Political strains and timing factors add to investor uncertainty

Geopolitics from protectionist trade policy to potential dissolution of the Eurozone have clouded the ability of market participants', from corporate decision makers to the flip-flopping US FED, to establish reliable directional market signals. As a result asset managers are understandably reticent to invest, compounding the situation.

We believe the confluence of other timing affects, especially year-end tax loss selling in Canada, with the deceleration in global growth expectations and Brexit stalemate left many resource assets pricing in too pessimistic an outlook. In particular, the valuations of equities that currently lie below liquidity thresholds required by dominant passive funds are very attractive. We believe performance of these equities, which have lagged the more recent recovery of liquid investments since the turn of the year, can catch-up. Having rolled proceeds from some bond redemptions into equities such as copper miner First Quantum late in the period the Fund has latterly added further to its position in zinc producer Trevali.

Fund investment themes unchanged

Base metals led commodity price declines earlier in 2018 have latterly begun to recover and we believe metals such as copper will benefit from later cycle demand as infrastructure and property is fitted out. Iron ore prices have proved surprisingly counter cyclical with the recent output reductions resulting from the tragic tailings dam failue in Brazil further boosting seaborne prices. Though a beneficiary of Chinese stimulus, we feel this sector is comparatively less attractive relative to coking coal, also used in primary steel production and base metals. Crude oil prices, which also proved remarkably resilient to the negative sentiment pervading the broader resources sector has latterly played catch-up with severe declines towards the end of the year as investor focus honed in on the near-term expansion in US export capacity, as we had expected.

Importantly our view that China will continue its environmental improvement drive continues to underpin exposure to sectors which will benefit. Based on tightening water quality regulations and chemical controls together with improved mine safety requirements the Fund retains significant exposure to zinc which at the time of writing represents around 15% of NAV. Despite some operational difficulties at Canadian operations of one of the Fund's larger investments, Trevali, we believe the group remains undervalued and have recently added to this position. The Fund has also added exposure to copper producers, such as First Quantum which is on the cusp of delivering its new copper project in Panama and which is financially well positioned having refinanced a substantial proportion of its project debt at favourable terms. Copper remains our preferred way to play the electrification theme behind the EV revolution. In addition, we also note the building requirement to invest in new environmentally acceptable power generation capacity to which end the Fund has also increased exposure to uranium sector as a more favourable stance develops for the source of energy.

Despite some reasonable strength in gold prices, precious metals miners continue to be shunned by investors more broadly and Canadian-listed stocks were noticeably affected by year-end tax loss selling. Though we believe industrial metals prices offer most room to perform in the near-term, supported by prospective improvement in economic momentum, it is difficult to ignore the attractive valuations on offer in the precious metals sector. For this reason the Fund retains healthy overall exposure to gold and silver miners, collectively representing around 15% of NAV at the time of writing, which also offer inexpensive insurance in the event governments fail to act as we expect.

The Fund's direct exposure to oil E&P remains low and is very much focussed on low cost assets. Our expectations for pricing remain very much tied to the quick response, manufacturing style shale economics of the US which will take up the mantle of swing producer at ±US$55/bbl as new pipeline export capacity completes over the next two years. Instead we feel better returns are offered by shippers of propane which may benefit from the arbitrage of surplus US gas, where it is produced as a by-product of shale extraction, and regions of demand such as Asia.

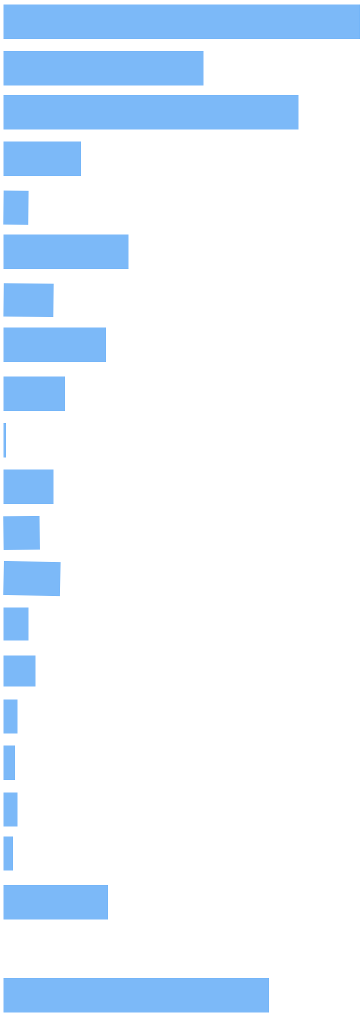
At the end of the interim period fixed income investments represented around 30% of net assets, up from nearer 20% in Q1, such was de-rating of equities across the resources sector. As stated proceeds received from maturing bonds were used to purchase equities such as those core positions, reflecting the potential returns offered by these stocks.

Ian Francis, Keith Watson and Rob Crayfourd
New City Investment Managers

7 March 2019

Classification of Investment Portfolio by Sector

	As at 31 December 2018 % of total investments	As at 31 December 2017 % of total investments
Gold	15.7	14.9
Zinc	8.8	12.7
Copper	13.0	11.0
Oil & Gas	3.4	4.8
Oil & Gas Storage and Transportation	1.1	3.9
Shipping	5.5	3.7
Base metals	2.2	3.4
Uranium	4.5	2.6
Silver	2.7	1.9
Steel	0.1	1.8
Coal	2.2	1.7
Alternative energy	1.6	1.6
Iron	2.5	1.5
Rare earth	1.1	1.0
Lithium	1.4	0.9
Palm oil	0.6	0.9
Nickel	0.5	0.5
Agriculture	0.6	0.1
Platinum	0.4	0.1
Fixed Interest Securities	20.4	4.6
Treasury Stock	–	7.9
Preference Shares	11.7	9.5
Total Investments	100.0	100.0



Classification of Investments by Stockmarket Quotation

	As at 31 December 2018 % of total investments	As at 31 December 2017 % of total investments
Canada	33.4	35.1
UK	20.1	20.8
US	21.9	19.7
Australia	17.7	17.9
Europe	6.5	6.2
Unquoted	0.4	0.3
Total Investments	100.0	100.0

Investment Portfolio

As at 31 December 2018

Company	Sector	Valuation £'000	Total Investments %
First Quantum Minerals (Note 2) **	Copper	5,309	6.8
Rea Holdings Preferred (Note 1) **	Palm Oil	5,170	6.6
Hurricane Energy (Note 3)	Oil & Gas	3,981	5.1
Trevali Mining	Zinc	3,657	4.7
Ascendant Resources (Note 4) **	Zinc	2,935	3.7
West African Resources	Gold	2,780	3.5
Ero Copper	Copper	2,693	3.4
Metals X	Gold	2,505	3.2
Goodbulk	Shipping	2,366	3.0
Tizir Ltd 9.5% 19/07/2022	Rare Earth	2,202	2.8
Top ten investments		33,598	42.8
BW LPG	Shipping	1,906	2.4
Americas Silver (Note 5) **	Silver	1,816	2.3
Arch Coal	Coal	1,714	2.2
NexGen Energy	Uranium	1,687	2.1
National Westminster Bank 9% Non Cum Irred Pref	Finance	1,629	2.1
Central Asia Metals	Copper	1,607	2.0
Oilflow SPV 1 DAC 12% 13/01/2022	Oil & Gas	1,553	2.0
Trafigura Group Pte 6.875% Variable Perpetual	Perpetual Finance	1,383	1.8
Foran Mining	Copper	1,236	1.6
Raven Russia Limited 12% Preferred	Other investments	1,163	1.5
Top twenty investments		49,292	62.8
Sigma Lithium Resources	Lithium	1,104	1.4
Base Resources	Base metals	1,102	1.4
Bluewater Holding 10% 10/12/2019	Oil & Gas	1,072	1.4
LBG 7.875% Variable Perpetual	Finance	1,070	1.4
Euronav Luxembourg SA 7.5% 31/05/2022	Shipping	1,044	1.3
Contura Energy	Alternative energy	1,030	1.3
Roxgold	Gold	968	1.2
Independence Group	Gold	955	1.2
Fortescue Metals	Iron	926	1.2
Balfour Beatty Preferred 9.675% 01/07/2020	Other investments	901	1.2
Top thirty investments		59,464	75.8
Aquila Resources	Gold	888	1.1
Lynas Corporation	Rare Earth	876	1.1
Euronav Oil & Gas	Storage & Transportat	837	1.1
Ecclesiastical Insurance Preferred 8.625% Perp	Finance	816	1.0
Odyssey Energy	Oil & Gas	808	1.0
Diversified Gas & Oil	Oil & Gas	803	1.0
Ur-Energy	Uranium	781	1.0
Doray Minerals	Gold	770	1.0
Integra Resources	Gold	752	1.0
Pretium Resources	Gold	730	0.9
Top forty investments		67,525	86.0
Gran Colombia Gold Corp 8.25% 30/04/2024 **	Gold	727	0.9
Adriatic Metals	Iron	653	0.8
Westgold Resources	Gold	634	0.8
Elematic Oyj 10% 30/05/2019	Oil & Gas	609	0.8
American Tanker Inc 9.25% 22/02/2022	Shipping	604	0.8
Fission Uranium	Uranium	584	0.7
PizzaExpress Financing 8.625% 01/08/2022	Other investments	520	0.7
R.E.A. Holdings	Palm Oil	472	0.6
Oro Negro 7.5% 24/01/2019	Oil & Gas	387	0.5
St George Mining	Nickel	380	0.5
Top fifty investments		73,095	93.1

Company	Sector	Valuation £'000	Total Investments %
Galena Mining	Base metals	363	0.5
Jupiter Mines	Iron	359	0.5
Guyana Goldfields	Gold	352	0.5
Denison Mines	Uranium	348	0.4
Sabina Gold & Silver	Gold	326	0.4
Union Agriculture *	Agriculture	325	0.4
Vintage Energy	Oil & Gas	319	0.4
Platinum Group Metals	Platinum	319	0.3
Adventus Zinc	Zinc	293	0.3
Cardinal Resources	Gold	276	0.3
Top sixty investments		76,375	97.1
Fortuna Silver Mines	Silver	263	0.3
Sherritt International Corp 8% 15/11/2021	Nickel	232	0.3
Polarcus	Oil & Gas	195	0.3
Greencoat UK Wind	Alternative energy	193	0.2
Asanko Gold	Gold	186	0.2
Bluestone Resources	Other mining investments	149	0.2
Tahoe Resources	Base metals	143	0.2
Petro Matad	Oil & Gas	136	0.1
Clean Seed Capital Group	Agriculture	124	0.1
Stelco Holdings	Steel	86	0.1
Top seventy investments		78,082	99.1
Avance Gas Holding	Shipping	71	0.1
Ausgold	Gold	58	0.1
Lydian International	Gold	54	0.1
Santacruz Silver	Silver	48	0.1
Amani Gold	Gold	38	0.1
Oklo Resources	Gold	35	–
Devex Resources	Uranium	32	–
Mandalay Resources	Gold	30	–
Platinum Group Metals Ltd Warrants 15/11/2019	Platinum	26	–
Valore Metals	Gold	19	–
Top eighty investments		78,493	99.6
Other investments		197	0.4
Total investments		78,690	100.0

Note 1 - Includes REA Holdings 9% preference shares valued at £4,679,601 and REA Finance 8.75% 31/08/2020 ** valued at £490,000.
Note 2 - Includes First Quantum valued at £4,658,342 and First Quantum CLN 7.5% 01/04/2025 ** valued at £650,440.
Note 3 - Includes Hurricane Energy valued at £508,276 and Hurricane Energy Convertible 7.5% 24/07/2022 valued at £3,472,640.
Note 4 - Includes Ascendant Resources valued at £2,851,903 and warrants ** valued at £83,698.
Note 5 - Includes Americas Silver valued at £1,332,106 and Americas Silver warrants ** valued at £483,879.

* Denotes an unquoted security
** Denotes a Level 2 security

Top Ten Largest Holdings

	Valuation 30 June 2018 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 31 December 2018 £'000
First Quantum Minerals (Note 2) Primarily a copper producer with mines in Africa and a large development project in Panama.	**8,265**	449	–	(3,405)	**5,309**
REA Holding (Note 1) The company cultivates oil palms and produces crude oil palm and other palm products.	**6,283**	–	–	(1,113)	**5,170**
Hurricane Energy (Note 3) Developer of a large oil discovery in the West of Shetland, targeting first oil in 2019 from fractured basement rock.	**4,209**	–	(161)	(67)	**3,981**
Trevali Mining Trevali produces and explores for zinc and lead in Peru.	**6,146**	1,040	–	(3,529)	**3,657**
Ascendant Resources (Note 4) A zinc producer that acquired the mine called El Mochito from Nyrstar for $0.5m.	**7,280**	–	–	(4,345)	**2,935**
West African Resources An Australian listed gold developer and explorer with the Sanbrado discovery in Burkina Faso.	**3,516**	635	(76)	(1,295)	**2,780**
Ero Copper A Copper producer with the Pilar mine in Brazil .	**2,227**	426	–	40	**2,693**
Metals X Copper and Tin producer in Australia, with further development assets.	**4,155**	507	–	(2,157)	**2,505**
Goodbulk A drybulk shipper with capesize ships, that predominantly ship coal and iron ore.	**2,112**	–	–	254	**2,366**
Tizir Ltd 9.5% 19/07/2022 A mineral sands producer in Norway, with paint as the main driver of demand.	**2,212**	–	–	(10)	**2,202**
	46,405	3,057	(237)	(15,627)	**33,598**

At 31 December 2018, these investments totalled £33,597,862 or 42.7% of the investment portfolio.

Condensed Income Statement

		Six months ended 31 December 2018 (unaudited)			Six months ended 31 December 2017 (unaudited)			Year ended 30 June 2018 (audited)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	–	(24,030)	(24,030)	–	14,441	14,441	–	10,009	10,009
Exchange gains on currency balances		–	203	203	–	4	4	–	334	334
Income	4	1,345	–	1,345	1,986	–	1,986	3,700	–	3,700
Investment management fee		(123)	(366)	(489)	(143)	(430)	(573)	(290)	(869)	(1,159)
Other expenses		(296)	–	(296)	(252)	(3)	(255)	(506)	(18)	(524)
Net return before finance costs and taxation		**926**	**(24,193)**	**(23,267)**	**1,591**	**14,012**	**15,603**	2,904	9,456	12,360
Interest payable and similar charges		(93)	(498)	(591)	(152)	(864)	(1,016)	(303)	(1,393)	(1,696)
Net return on ordinary activities before taxation		**833**	**(24,691)**	**(23,858)**	**1,439**	**13,148**	**14,587**	2,601	8,063	10,664
Tax on ordinary activities		(33)	31	(2)	(193)	98	(95)	(404)	284	(120)
Net return attributable to equity shareholders	5	**800**	**(24,660)**	**(23,860)**	**1,246**	**13,246**	**14,492**	2,197	8,347	10,544
Return per ordinary share	5	**1.20p**	**(36.87)p**	**(35.67)p**	**1.86p**	**19.81p**	**21.67p**	**3.28p**	**12.48p**	**15.76p**

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

The total column in the above statement is the profit and loss account of the Company.

All of the profit/(loss) for the period is attributable to the owners of the Company.

Condensed Balance Sheet

	Notes	As at 31 December 2018 (unaudited) £'000	As at 31 December 2017 (unaudited) £'000	As at 30 June 2018 (audited) £'000
Fixed assets				
Investments		**78,690**	129,174	123,420
Current assets				
Debtors		**84**	749	681
Cash at bank and on deposit		**4,524**	5,909	7,722
		4,608	6,658	8,403
Creditors: amounts falling due within one year				
Other payables		**(534)**	(952)	(2,314)
3.5% Convertible Unsecured Loan Stock	7	**–**	(34,234)	(34,292)
		(534)	(35,186)	(36,606)
Net current assets		**4,074**	(28,528)	(28,203)
3.5% Convertible Unsecured Loan Stock 2018	7	**–**	–	–
Bank loan	8	**(14,000)**	–	–
Net assets		**68,764**	**100,646**	**95,217**
Capital and reserves				
Called-up share capital		**16,722**	16,721	16,722
Special distributable reserve		**30,386**	30,386	30,386
Share premium		**4,852**	4,832	4,851
Equity component of 3.5% Convertible Unsecured Loan Stock 2018	7	**–**	126	–
Capital reserve		**14,441**	43,955	39,101
Revenue reserve		**2,363**	4,626	4,157
Equity shareholders' funds	6	**68,764**	**100,646**	**95,217**
Net asset value per share	6	**102.8p**	**150.5p**	**142.35p**

Condensed Statement of Changes in Equity

For the 6 months to 31 December 2018 (unaudited)

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	CULS Equity component £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2018	16,722	4,851	30,386	–	39,101	4,158	95,218
CULS conversion and buyback	–	1	–	–	–	–	1
Return on ordinary activities after taxation	–	–	–	–	(24,660)	800	(23,860)
Dividends paid	–	–	–	–	–	(2,595)	(2,595)
Balance at 31 December 2018	16,722	4,852	30,386	–	14,441	2,363	68,764

For the 6 months to 31 December 2017 (unaudited)

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	CULS Equity component £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2017	16,721	4,832	30,386	488	30,347	5,975	88,749
CULS conversion and buyback	–	–	–	(362)	362	–	–
Return on ordinary activities after taxation	–	–	–	–	13,246	1,246	14,492
Dividends paid	–	–	–	–	–	(2,595)	(2,595)
Balance at 31 December 2017	16,721	4,832	30,386	126	43,955	4,626	100,646

The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

The accompanying notes are an integral part of the financial statements.

Condensed Cash Flow Statement

	Six months ended 31 December 2018 (unaudited) £'000	Six months ended 31 December 2017 (unaudited) £'000	Year ended 30 June 2018 (audited) £'000
Operating activities			
Investment income received	1,900	2,030	3,756
Deposit interest received	14	1	11
Other income received	–	4	36
Investment management fees paid	(180)	(564)	(1,154)
Other cash payments	(372)	(253)	(518)
Net cash inflow from operating activities	1,362	1,218	2,131
Investing activities			
Purchases of investments	(18,419)	(26,707)	(52,768)
Disposals of investments	37,432	27,224	55,875
Net cash inflow from investing activities	19,013	517	3,107
Financing activities			
Equity dividends paid	(2,595)	(2,595)	(4,013)
Interest on bank overdraft	–	(1)	(1)
Interest on 3.5% Convertible Unsecured Loan Stock 2018	(604)	(604)	(1,207)
3.5% Convertible Unsecured Loan Stock 2018 repaid	(34,510)	–	–
Bank loan	14,000	–	–
Interest paid on Bank Facility	(67)	–	–
Net cash outflow from financing activities	(23,776)	(3,200)	(5,221)
(Decrease)/increase in net cash	**(3,401)**	**(1,465)**	**17**
Reconciliation of net cash flow to movement in net cash			
(Decrease)/increase in cash in the year	(3,401)	(1,465)	17
Exchange movements including forward contracts	203	3	334
Movement in net cash in the year	**(3,198)**	**(1,462)**	**351**
Opening net cash at 1 July	7,722	7,371	7,371
Closing net cash at 31 December / 30 June	**4,524**	**5,909**	**7,722**

The accompanying notes are an integral part of the financial statements.

Notes to the Accounts

1. The unaudited interim results which cover the six months to 31 December 2018 have been prepared in accordance with applicable accounting standards and adopting the accounting policies set out in the statutory accounts of the Company for the year ended 30 June 2018.

   Foreign currency
   Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in either the capital or revenue column of the Statement of Comprehensive Income depending on whether the gain or loss is of a capital or revenue nature respectively.

2. A first interim dividend of 1.26p per share was paid on 30 November 2018 and a second interim dividend of 1.26p per share was paid on 28 February 2019.

3. Included within losses on investments for the period ended 31 December 2018 are realised losses of £6,133,198 and unrealised losses of £17,884,078.

4. The breakdown of income for the six months to 31 December 2018, 31 December 2017 and the year to 30 June 2018 was as follows:

	Six months ended 31 December 2018 £'000	**Six months ended 31 December 201 £'000**	**Year ended 30 June 2018 £'000**
Income from investments:			
UK dividend income	**104**	141	270
UK unfranked interest income	**132**	263	265
Preference share income	**329**	247	801
Overseas dividend income	**233**	335	518
Overseas interest income	**533**	962	1,800
	1,331	1,948	3,654
Other income:			
Other income	**–**	36	35
Deposit interest	**14**	2	11
Total income	**1,345**	1,986	3,700

5. **Return per ordinary share**
   Return per ordinary share attributable to shareholders reflects the overall performance of the Company in the period. Net revenue recognised in the first six months is not necessarily indicative of the total likely to be received in the full accounting year.

	Six months ended 31 December 2018 £'000	**Six months ended 31 December 2017 £'000**	**Year ended 30 June 2018 £'000**
Revenue return	**800**	1,246	2,197
Capital return	**(24,660)**	13,246	8,347
Total return	**(23,860)**	14,492	10,544
	Number	Number	Number
Weighted average ordinary shares in issue	**66,888,312**	66,882,981	66,884,094

6. Net asset value per ordinary share

	31 December 2018	31 December 2017	30 June 2018
Net asset value per share	**102.80p**	150.5p	142.35p
Net assets attributable at end of period	**£68.8m**	£100.6m	£95.2m
Ordinary shares of 25p each in issue at end of period	**66,888,509**	66,882,991	66,888,111

7. 3.5% Convertible Unsecured Loan Stock 2018

	Nominal number of CULS £'000	Liability component £'000	Equity component £'000
Balance at 30 June 2018	34,511	34,292	–
Amortisation of discount on issue and issue expenses	–	219	–
Transfer of CULS liability discount amortisation	–	–	–
Conversion during the period	(1)	(1)	–
3.5% CULS repayment	(34,510)	(34,510)	–
Balance at 31 December 2018	**–**	**–**	**–**

On 26 September 2011, the Company issued £40,000,000 nominal of 3.5% Convertible Unsecured Loan Stock 2018. The CULS can be converted at the election of holders into ordinary shares during the months of March and September in each year throughout their life, commencing March 2012 to September 2018 at a rate of 1 ordinary share for every 377.1848p nominal of CULS.

On 13 October 2017, the Company issued 17 ordinary shares in connection with the exercise of £65 nominal of the Company's CULS. On 5 April 2018, the Company issued 5,120 ordinary shares in connection with the exercise of £19,319 nominal of the Company's CULS.

On 2 October 2018, the Company issued 398 ordinary shares in connection with the exercise of £1,508 nominal of the Company's CULS.

Once 80% of the nominal amount of the CULS issued have been converted, the Company is allowed to request that holders redeem or convert the remainder. Interest is paid on the CULS on 31 March and 30 September in each year. 25% of the interest is charged to revenue in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

As at 30 June 2018, there was £34,511,074 nominal of CULS in issue of which £34,509,566 was repaid on 28 September 2018.

8. Bank Loan

	31 December 2018	31 December 2017	30 June 2018
Loan Facility	**(14,000)**	–	–

On 20 September 2018 the Company entered into an £20.0 million unsecured revolving credit facility with Scotiabank Europe plc. The facility has a two year term and the interest rate is base rate plus 1.05% per annum. £14.0 million was drawn down as at 31 December 2018.

9. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	Six months ended 31 December 2018 £'000s	Six months ended 31 December 2017 £'000s	Year ended 30 June 2018 £'000s
Net return before finance costs and taxation	**(23,267)**	15,603	12,360
Adjust for returns from non-operating activities:			
– Gains on investments	**24,030**	(14,441)	(10,009)
– Exchange gains	**(203)**	(4)	(334)
– Effective yield	**(12)**	(25)	(25)
Return from operating activities	**548**	1,133	1,992
Adjust for non-cash flow:			
– Increase/(decrease) in accrued income	**(583)**	–	248
– Decrease/(increase) in debtors	**(14)**	180	(1)
– Increase/(decrease) in creditors	**1,413**	–	12
– Withholding tax	**(2)**	(95)	(120)
Net cash inflow from operating activities	**1,362**	1,218	2,131

10. The Company's Investment Manager is CQS Cayman Limited Partnership ("CQS") which in turn has delegated this function to its wholly owned subsidiary New City Investment Managers ("NCIM"). CQS receive a monthly fee at the rate of 0.1 per cent of the Company's gross assets (excluding cross-holdings) less current liabilities and any borrowings, payable in arrears. During the period investment management fees of £488,752 were incurred, of which £236,133 was payable at the period end.

11. After making enquiries and having considered the Company's investment objective, nature of the investment portfolio, bank facility and expenditure projections, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future. For this reason, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing this report.

12. The results for the six months ended 31 December 2018 and 31 December 2017, which have not been reviewed by the Company's auditors pursuant to the Auditing Practices Board guidance on "Review of Interim Financial Information", constitute non-statutory accounts in terms of Section 434 of the Companies Act 2006. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 30 June 2018; the report of the auditors thereon was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The abridged financial statements shown above for the year ended 30 June 2018 are an extract from those accounts.

13. The following are considered related parties: the Board of Directors ("the Board") and CQS/New City Investment Managers ("the Investment Manager"):

All transactions with related parties are carried out on an arms length basis.

There are no other transactions with the Board other than aggregated remuneration for services as Directors. There are no outstanding balances to the Board at the period end.

Details of the fee arrangement with the Investment Manager are disclosed in note 10.

14. The report and accounts for the six months ended 31 December 2018 will be posted to shareholders and made available on the website www.ncim.co.uk. Copies may also be obtained from the Company Secretary, Maitland Administration Services (Scotland) Limited, 20 Forth Street, Edinburgh, EH1 3LH.

Directors' Statements

Principal Risks and Uncertainties

The Company's assets consist principally of listed equities and fixed interest securities and its principal risks are therefore market related. The Company is also exposed to currency risk in respect of the markets in which it invests. Other key risks faced by the Company relate to investment and strategy, market, sector, financial, earnings and dividend, operational, regulatory and political. These risks, and the way in which they are managed, are described in more detail under the heading 'Principal risks and risk mitigation' within the Strategic Review contained within the Company's annual report and accounts for the year ended 30 June 2018. The Company's principal risks and uncertainties have not changed materially since the date of the report and are not expected to change materially for the rest of the Company's financial year.

Statement of Directors' Responsibilities in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and proft or loss of the Company;
- the Chairman's Statement and the Investment Manager's Review includes a fair review of the information required by the Disclosure and Transparency Rules ("DTR") 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Directors' Statement of Principal Risks and Uncertainties shown above is a fair review of the information required by DTR 4.2.7R; and
- the condensed set of financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during the period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

Richard Prickett
Chairman

7 March 2019

Corporate Information

Registered Number

02978531
Registered in England & Wales

Registered Office

Maitland Administration Services Limited
Springfield Lodge
Colchester Road
Chelmsford CM2 5PW

Directors

Richard Ö Prickett (Chairman)
Carole Cable
Christopher Casey
Alun G Evans
Helen F Green*

Investment Manager

New City Investment Managers
CQS Cayman Limited Partnership
4th Floor
One Strand
London WC2N 5HR

Secretary and Administrator

Maitland Administration Services (Scotland) Limited
20 Forth Street
Edinburgh EH1 3LH
Tel: 0131 550 3765

Solicitors

Dentons UK and Middle East LLP
One Fleet Place
London EC4M 7WS

Financial Adviser and Corporate Broker

Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London E14 5RB

Bankers

HSBC Bank plc
8 Canada Square
London E14 5HQ

Scotiabank
201 Bishopsgate
London EC2M 3NS

Custodian and Depositary

HSBC Bank plc
8 Canada Square
London E14 5HQ

Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Tax Advisor

KPMG LLP
20 Castle Street
Edinburgh EH1 2EG

AIFM

CQS (UK) LLP
4th Floor
One Strand
London WC2N 5HR

Registrars

Equiniti
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA

Shareholder helpline UK: **0371 384 2410****
Shareholder helpline overseas: **+44 121 415 7047**

Shareholder Information

Net Asset Value/Share Price

The net asset value of the Company's ordinary shares may be obtained by contacting CQS on 0207 201 6900 or by email at clientservice@cqsm.com or alternatively by visiting the Company's web site at www.ncim.co.uk.

Website

www.ncim.co.uk

*Chairman of the Audit Committee

**Calls from outside the UK will be charged at international rates. Other telephone provider costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday.

cqs natural resources
growth and income plc