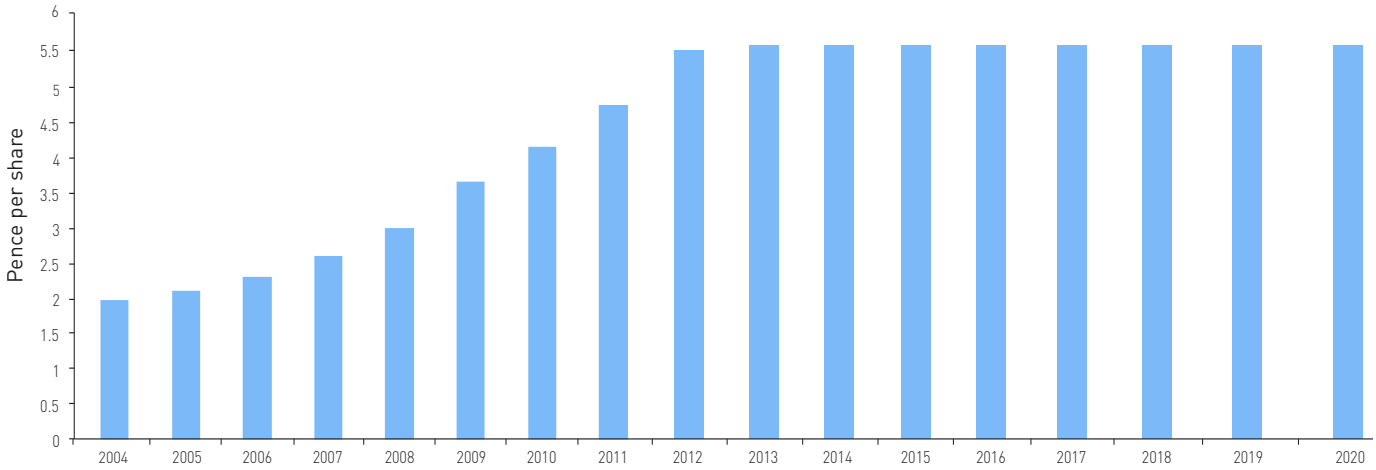
CQS Natural Resources Growth and Income PLC

Annual Report

30 June 2020

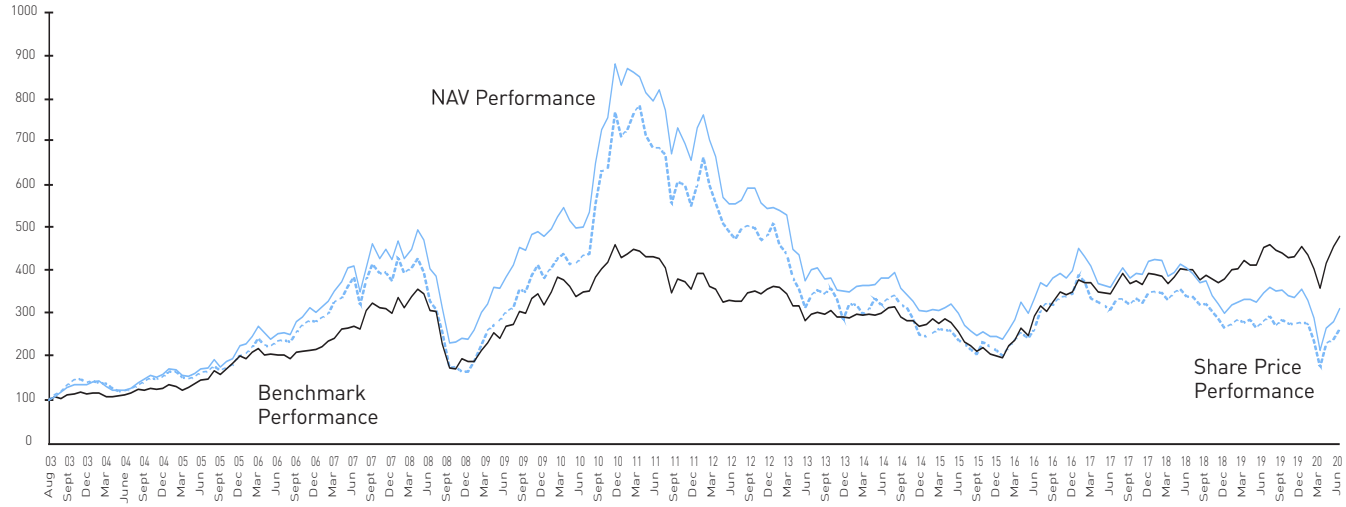
Performance Record

Dividends Declared 30 June 2004 to 30 June 2020



Sources: Maitland Administration Services (Scotland) Limited

Performance from 1 August 2003 to 30 June 2020



CQS Natural Resources Growth and Income PLC share price total return (i)
CQS Natural Resources Growth and Income PLC net asset value total return (i)
Benchmark Index total return (i) & (ii)

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

(i) Net dividends reinvested.
(ii) Composite index of eighty percent EMIX Global Mining Index (sterling adjusted) and twenty percent Credit Suisse High Yield Index (sterling adjusted).

From the change of investment objective on 1 August 2003.

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.

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Financial Highlights

Total Return*	Year to 30 June 2020	Year to 30 June 2019	Period from 1 August 2003 to 30 June 2020
Net asset value	**(10.62)%**	(13.88)%	211.08%
Ordinary share price	**(5.89)%**	(17.34)%	163.96%
Composite index	**5.81%**	12.79%	376.93%
EMIX Global Mining Index (sterling adjusted)	**6.93%**	13.20%	402.16%
Credit Suisse High Yield Index (sterling adjusted)	**1.17%**	11.13%	313.51%

Capital Values	30 June 2020	30 June 2019	% change period
Net asset value per share	**98.6p**	116.2p	(15.11)%
Ordinary share price (mid market)	**79.3p**	89.3p	(11.20)%

Revenue and Dividends	30 June 2020	30 June 2019	% change period
Revenue earnings per ordinary share	**3.35p**	2.67p	25.47%
Dividends per ordinary share	**5.60p**	5.60p	0.00%
Dividend Yield*	**7.1%**	6.3%	
Discount* (difference between share price and fully diluted net asset value)	**19.6%**	23.1%	
Gearing*			
Gearing provided by bank loan	**18.2%**	12.3%	
Ongoing charges* (as a percentage of average shareholders' funds)	**1.8%**	1.9%	

Period's Highs/Lows	Year to 30 June 2020 High	Year to 30 June 2020 Low
Net asset value per share	**124.1p**	64.3p
Ordinary share price (mid market)	**93.3p**	50.6p
Discount	**27.4%**	13.4%

Dividend History	Rate	xd date	Record date	Payment date
Fourth interim 2020	1.82p	23 July 2020	24 July 2020	28 August 2020
Third interim 2020	1.26p	23 April 2020	24 April 2020	29 May 2020
Second interim 2020	1.26p	23 January 2020	24 January 2020	28 February 2020
First interim 2020	1.26p	24 October 2019	25 October 2019	29 November 2019
Total	5.60p			
Fourth interim 2019	1.82p	25 July 2019	26 July 2019	30 August 2019
Third interim 2019	1.26p	25 April 2019	26 April 2019	24 May 2019
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	5.60p			

* A glossary of the terms, including alternative performance measures, used can be found on page 52.

Chairman's Statement

Overview

The year to 30 June 2020 has been completely overshadowed by the Coronavirus pandemic.

In my statement in March we referred to this but at that stage we did not anticipate the widespread lockdowns that were to be implemented across Europe and the Americas. The net result being that global economies suffered a severe shock that was much more damaging than any commentators originally anticipated.

In the first half of the year, before the pandemic, the Fund's performance had been positive and was recovering from the previous period. The brutal sell off in March wiped out this recovery and the Fund's net asset value fell by approximately 25% to 69p.

Notwithstanding the extreme market volatility the Managers held their nerve and stuck to their convictions, which included a 30% weighting to precious metals. As a result the net asset value recovered back to 98.6p at 30 June 2020 and since then has increased further to 112.79p as at 7 September 2020.

Investment, Share Performance and Discount

The NAV total return at 30th June was a decline of 10.62% which compares to an increase in the benchmark of 5.81%. It should be noted that the overlap of the Company's portfolio and the composite index is small and the effect of the pandemic has effected that index less than a number of the Company's small and mid-cap holdings.

The discount between NAV and the share price remains a significant challenge.

As at 30 June 2020 the Company's shares were trading at a discount of 19.6% and at the close of business on 7 September 2020 the discount was 17.5%.

The Board is very conscious of this issue and reviews it closely but has concluded that any form of discount control mechanism would be ineffective in the current climate nor in shareholders' interests.

Dividends and Income

Income and dividends have always been a focus of the Company and are now 2.8 times the amount paid per share in 2004.

The Board considers that the dividend policy is very attractive to shareholders and therefore provides an element of share price stability especially whilst other companies have been forced to cut dividends. Therefore, we have decided to continue to pay quarterly dividends this year totalling 5.6p per share, equalling the previous year.

Since the Manager is focused on generating capital growth and income from the portfolio the dividend may not always be completely covered by income and in those circumstances the Board will use distributable reserves to meet any shortfall.

The yield on the Company's shares is 4.9% as at 7 September 2020.

Gearing

As at 30 June 2020 the gearing was 18.2% but has reduced to 15.9% as at 7 September 2020. Gearing is recalculated and reviewed at each month end. The highest gearing in the period was 23.8% as at the end of March 2020, which was below the target maximum gearing level of 25% of net assets.

The amount drawdown under the Scotiabank facility is £12 million and the £20 million facility has been renewed for a further year at £15 million with the option for the Company to extend to £20 million if the Board deems appropriate.

Annual General Meeting

The business of the AGM is summarised in the Directors' Report on pages 18 to 20. The AGM will be held at One Fleet Street Place, London, EC4M 7WS at 2pm on Wednesday 9 December 2020. It is hoped that by that date restrictions due to Covid-19 will have eased sufficiently for the AGM to be held in the usual way and, if so, shareholders are encouraged to attend. However, should this not be the case the AGM may have to be held as a closed meeting. In this eventuality, or if shareholders are reticent about using public transport to reach the meeting venue, it is recommended that shareholders exercise their votes by means of registering them with the Company's registrar ahead of the meeting, online or by completing paper proxy forms, and appoint the Chairman of the meeting as their proxy. Recognising the potential for shareholders to be unable to attend and ask questions, the Board invites anyone with questions on the business of the meeting, or otherwise, to address them to the Company Secretary, by email to BNP Paribas Securities Services ('BNP') or, by letter, to BNP at 10 Harewood Avenue, London, NW1 6AA. Questions will be relayed to the Board and responses provided via market announcement or the Company's website as appropriate. The Board recommends that shareholders vote in favour of all resolutions as each of the Directors intends to do in respect of their own shares.

Administration Changes

During the year the Board reviewed a number of their service providers and following a thorough selection process, the Board has chosen BNP Paribas Securities Services as the Company's new Company Secretary and Administrator. BNP's appointment will be effective from 15 September 2020. BNP will replace Maitland Administration Services (Scotland) Limited as Company Secretary. BNP will also replace HSBC Bank plc as the Company's Depositary, Custodian and Banker from the same date. As well as being a cost effective move, the Board believes this will assist communication and operational efficiency by having everything under one roof.

Chairman's Statement (continued)

Broker

Following the withdrawal of Cantor Fitzgerald from the UK equity business, the Company has appointed N+1 Singer as it's broker on 15 May 2020. Contact details for N+1 Singer can be found on page 58.

Outlook

There are numerous issues to consider when looking forward which will increase volatility and the Manager has articulated these in some depth in their report. In particular the Coronavirus pandemic continues to have a savage effect on global economies and Central banks worldwide have supported economies with vast sums of stimuli. In this environment we believe that gold and commodities are a good place to be.

The Fund's net asset value has subsequently recovered with global markets to 112.79p per share and the yield is 4.9%.

The Board has confidence in our Manager, the CQS group who are supported by extensive research capabilities, to steer us through these difficult times.

I would like to conclude again by extending my thanks to all shareholders for their continued support.

Richard Prickett
Chairman
8 September 2020

Investment Manager's Review

Summary

Markets, and particularly commodity markets, have been defined by the impact of and response to the COVID-19 pandemic. Economic disruption and the subsequent stimulus response since lockdowns were imposed by Governments around the world have been unprecedented and investment classes across the board have reacted markedly. In addition, a pivotal shift in strategy by the OPEC+ alliance, to open pumps in order to defend market share against emerging exports from the US decimated the oil price. It has been a tumultuous period demanding profound changes in government and also corporate policies.

The impact on different commodities has varied materially. While gold and silver have been clear beneficiaries, which has benefitted the fund due its large weighting of approximately 30% as at end June. There has been a broad recovery across most asset classes after the COVID related sell-off in late February and March as investors anticipate the effects of co-ordinated global central bank and government stimulus programmes - rather than anything in the activity data which will continue to look weak as it feeds through. Equities and to some extent commodities (for those where sufficient storage capacity is available) have looked through short-term shocks, pricing off future supply/demand expectations. While knock-on effects from the additional government borrowing together with disruption caused by the pandemic may be felt for a number of years, optimism is nevertheless returning as countries look to ease restrictions. China, which was first into the crisis, has also been the first to emerge from it and has been accumulating industrial metals at pace, taken advantage of the period of depressed pricing as demand ex-China collapsed during lockdowns. This has benefitted the base metal names in the fund, especially the copper miners, such as First Quantum and Ero Copper amongst others.

COVID-19 has impacted supply as well as demand. More than 20% of global copper, nickel, and zinc supply has been removed from markets during lockdowns. Mine disruptions announced thus far are estimated to have reduced full year output zinc by approximately 5%, copper by 2.25% and nickel and aluminium by a lesser 1-2%. While iron ore production has been reduced, most notably at Vale's Brazilian operations, the availability of seaborne iron ore has been less affected with sales volumes guidance from the big three producers little changed for 2020. Though mine disruptions to date have been relatively short in duration relative to the demand global demand shock, as discussed above, China has soaked up any short term excess units. Importantly, in sharp contrast to gold, where we note a substantial rise in equity issuance by companies seeking to expand output, base metal miners continue to exercise extreme caution in committing capital and funding to projects which should keep a lid on supply expansion.

Performance

When we wrote to shareholders at the start of 2020 the Company was modestly outperforming its composite benchmark as it benefited from a low weighting in energy stocks and a large weighting in precious metal miners. This modest outperformance was sharply corrected in March 2020 as markets plunged and the mid and small cap stocks to which the Fund is exposed were in some cases savagely sold off. The net asset value fell by 25.9% in March to a low for the year of 69.0p. We reduced our gearing a little in reaction to the market falls but kept our main positions intact as we believed they would benefit when markets recovered. Helped by our precious metals positions we saw a good recovery in the net asset value over the April to June period and it reached 98.5p on 30 June 2020. With the inclusion of dividends paid the total net asset return for the year to 30 June 2020 was a decline of 10.7 per cent.

Precious Metals

The Fund's position in gold, owned as cheap insurance, has paid handsomely during this period of uncertainty and the Fund's precious metal exposure currently stands at almost 30% (of which gold is 25%). As we write, fears of a second wave of infections are providing a further boost to gold. Following a brief initial wash out of margin calls in March, as lockdowns were rolled out across the OECD, there has been little to hold gold back and year-to-date it has registered a 27% increase and is approaching US$2000/oz.

The primary driver of the gold price is real yields, which is the return received from interest rates minus inflation. When real returns are low (or in today's world increasingly negative), gold has historically performed strongly. The fallout from COVID-19 has led to coordinated rate cuts globally, the economic impact of which is yet to be fully understood. We see no evidence to suggest any risk of an increasing rate cycle in the near term. Typically, there are two sources of inflation – either demand led or supply led. While trends are recovering demand is currently weak, though pent-up demand may surprise. It is on the supply side where the biggest impact may be seen, as the huge deflationary pressures experienced from China Inc. over the last two decades may reverse as they find themselves increasingly politically and economically alienated from the global stage. Reconfiguring supply chains, to reduce the current heavy reliance on low cost Chinese manufactured goods, may raise prices.

Driven by this the largest physically backed ETFs funds monitored by Bloomberg have added over 28 million ounces this year to take aggregate holdings to 106 million ounces. A corollary of this, however, is that gold is now far more expensive in the major demand economies such as India, China and Turkey, particularly when denominated in local currencies that have weakened against the US dollar. Similarly, central bank buying has paused as they contend with their response to COVID. Consequently, the pick-up in physical ETF buying has essentially only offset weakness from these segments. According to the World Gold Council overall gold demand was up only 1% in the first calendar quarter of 2020.

Against this helpful gold price backdrop, equities have performed extremely well. Of note, the Fund's holding in West African Resources, 7.4% of the fund as at end June, which has successfully transitioned into production within budget, has been particularly pleasing. Though the company remains attractively valued and is gaining investor traction as its size and liquidity improve, having doubled year-to-date the exposure is being managed to control concentration risk. Americas Gold and Silver, 4.1% of the fund at end June, benefitted but to a lesser extent, but after some minor delays in bringing its Relief Canyon mine in to production, looks set to reach commercial production in Q4.

Investment Manager's Review (continued)

Base Metals

Industrial base metals have undoubtedly experienced a demand shock, but unlike crude oil these are easily stored, so do not see the same infrastructure restrictions. They are also far more dependent on China, which constitutes approximately 50% of demand so are better placed to respond as the region, which was first affected by COVID, leads the reopening process and prices have been well supported by Chinese state owned enterprises seeking to build metal inventories into summer, ahead of an expected pick-up in economic activity. Indeed, having declined nearly 30% at one stage, the price of economic bell weather metal copper has recovered strongly and has moved above levels at the start of the calendar year. In contrast to gold, copper prices trade at a premium in Shanghai versus western exchanges.

The US election, set for November, looks likely to be supportive for base metals, with both Trump and Biden running investment heavy campaigns. This will be important as a surge in US unemployment, which stood at over 11% in June having jumped to nearly 15% in April from 3.5% earlier in the year, has been accompanied by the largest drop in consumer confidence since 1973. In addition, there is increasing speculation of a US$1trn pre-election fiscal stimulus programme, to help bolster the country's economic recovery.

Oil

Oil prices plunged during the period suffering from the twin effects of demand collapse, as a global lockdown reduced daily demand by approximately 35%, together with a shift in strategy by OPEC and Russia to defend market share rather than price. The combined effects of the demand collapse and a surge in OPEC+ output as they opened their pumps caused substantial inventory builds to levels approaching global storage limits. This dynamic had the extraordinary impact on oil for prompt delivery, driving the May WTI contract price negative for the first time in history. This price correction has prompted a sharp reduction in US on-shore rig deployment and a corresponding sharp correction in regional oil output. Nevertheless, though oil prices have recovered to the more balanced situation the industry still appears beholden to the marginal cost level of US producers which we believe to be in the US$40-50/bbl range, limiting upside potential in this sector for the time being.

The Fund continues to underweight the E&P sector and related equity exposure remains minimal at just 4% of NAV. Given the much needed and substantial US production cuts required to restore crude markets to balance, the Fund has instead increased exposure to Diversified Gas & Oil which should benefit from reduced output of gas, a by-product from onshore oil production, whilst paying a healthy 11% dividend.

Bonds and Income

There has been a reduction in the Fund's fixed income portfolio in the second half of our financial year. Following the sale of Ecclesiastical 8.625% preference shares, Lloyds 7.875% bonds and the redemption of Balfour Beatty 9.675% preference shares, fixed income securities now represent approximately 17% of assets under management. The remaining fixed income exposure is expected to contribute over a third of future expected income.

Proceeds have been reinvested into equities. These include the previously mentioned Diversified Gas & Oil, as well as Euronav. Whilst trading at a substantial discount to the net asset value of its vessels, Euronav has benefitted from supernormal day rates for an extended period of time - its modern fleet benefitted first from the introduction of new IMO2020 marine emissions standards at the turn of the year with a further boost as vessels were used as floating storage. Supporting a substantial increase in dividend in the June quarter the group has made a useful revenue contribution during the year whilst offering potential capital growth.

ESG

ESG reports are very limited for smaller capitalised companies, especially in the mining sector and we are therefore unable to provide as ESG score for the portfolio. The Manager has always applied a strong focus on how companies conduct their business, from an Environmental, Social and Governance standpoint, not least due to its importance in companies retaining their licence to operate within their given jurisdiction.

Outlook

For now, the Fund's exposure to gold has helped mitigate the impact of the virus disruption and the sector remains a safe haven while uncertainties of a second wave of virus persist and Brexit negotiations resume. However, co-ordinated and unprecedented global action to support economies has since taken place, leaving us constructive on the sector and respective equity valuations going forward. Major commodity consuming economies, particularly China, appear to be finding a more stable footing and are taking full advantage of the weakened western market demand and depressed commodity prices to buy industrial metals in expectation of a longer lasting recovery. This bodes well for a recovery in industrial metal demand as does continued capital discipline by industrial metal miners which will contain future supply growth.

In addition, Covid-19 appears to have accelerated some trends, notably demand for clean air and by extension clean electrification, highlighted by Europe's environmentally focussed stimulus. Copper, which represents over 12% of assets, remains central to this with other benefits such as its biostatic anti-germ properties offering up other, less discussed avenues of possible demand growth. In this respect the green credentials of silver are also appealing and related equities, which represent over 5% of Fund assets, are currently gaining traction having lagged behind gold.

More generally unprecedented, debt funded stimulus may raise questions over the value of fiat currencies. Recent softness of the US dollar, if sustained, may widen investor appeal of the broader commodity related asset class. We hope that effects of future virus outbreaks will diminish and continue to monitor developments for potential vaccines that will allow a return to the new normal.

At the time of writing the Fund's net asset value has continued to recover and is currently at 112.79p per share.

Ian Francis, Keith Watson, Rob Crayford
New City Investment Managers

8 September 2020

Top Ten Largest Holdings

	Valuation 30 June 2019 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 30 June 2020 £'000
First Quantum** (note 1) Primarily a copper producer with long life mines in Africa and with a large project recently brought into production in Panama. The group also has inventories of gold, nickel and cobalt.	6,866	276	–	(840)	6,302
West African Resources The Company has transitioned into a gold producer having brought its Sanbrado discovery in Burkina Faso into production under budget and on schedule.	3,034	–	(789)	3,434	5,679
REA Holding** (note 2) The company cultivates oil palms and produces crude oil palm and other palm products. The group's core plantations are located in Indonesia.	4,021	–	–	(562)	3,459
Euronav NV** (note 3) The world's largest independent crude oil tanker company.	2,214	2,110	(459)	(478)	3,387
Ero Copper A copper producer with mining assets in Brazil.	4,620	–	(257)	(1,225)	3,138
Americas Gold and Silver** (note 4) The Company mines precious metals, zinc, lead and copper.	2,917	584	(775)	399	3,125
Integra Resources Developing the past producing DeLamar Gold-Silver Project in Idaho, USA.	825	1,011	(591)	1,096	2,341
TiZir 9.5% 19/07/2022 A vertically integrated producer of zircon, titanium and pig iron.	2,205	–	(210)	31	2,026
Talon Metals A base metals explorer earning into a 51% interest on the high-grade Tamarack Nickel-Copper-Cobalt Project, located in Minnesota in the US, from Rio Tinto. The group has the option to earn a larger 60% interest by 2025.	1,999	347	(10)	(437)	1,899
2020 Bulkers An independent shipping company that owns and operates eight scrubber fitted 208,000 DWT Newcastlemax dry bulk carriers.	–	1,711	–	84	1,795
Top ten investments	28,701	6,039	(3,091)	1,502	33,151

Note 1 – Includes First Quantum Minerals valued at £5,534,767 and First Quantum Minerals 7.5% 01/04/2025 valued at £767,508.
Note 2 – Includes REA Holdings 9% preference shares valued at £2,881,649, REA Finance 8.75% 31/08/2020** valued at £452,500, REA Holdings valued at £110,000 and REA Holdings warrants 15/07/2025** valued at £14,950.
Note 3 – Includes Euronav valued at £2,728,357 and Euronav Luxembourg SA 7.5% 31/05/2022 valued at £658,789.
Note 4 – Includes Americas Silver valued at £3,028,698 and Americas Silver warrants** valued at £96,516.

** Denotes a Level 2 security

Top Ten Largest Holdings (continued)

Comments on largest positions

First Quantum

First Quantum is primarily a copper company with core operations located in Zambia and a large new project now ramping-up in Panama. The stock remains a top holding with a leading production growth profile in a sector that should benefit from demand from investment in infrastructure and electrification globally against a backdrop of limited supply growth. With the start-up of the Cobre Panama mine the company's financial flexibility is much improved. We are more comfortable with the debt levels for this company as they have numerous options in even the worst case scenario, such as a non-core asset sales or even a proportional sell down of its core producing mines.

West African Resources

West African Resources has de-risked significantly since bringing its core mine into production. The group is unhedged and with a low cost of production will allow rapid payback on its project debt. The group recently acquired some neighbouring exploration properties from B2Gold. With 1.1 Moz of resource within trucking distance of the new Sanbrado mine, the acquisition has significant potential to add shareholder value. The group is benefitting from improved liquidity and we believe the group's producer status can deliver further rerating relative to peers.

REA Holdings

We believe REA is a leading contributor to responsible palm oil production globally. REA has a commitment to produce sustainably and has also received RSPO certification. Following substantial cost cutting measures the group is well placed to benefit from the recent recovery in the crude palm oil price.

Euronav NV

Crude oil shipper, with one of the largest fleets of the biggest class of Very Large Crude Carrier ('VLCC') ships. They are a key beneficiary of trade war related disruptions as it forces longer shipping routes and increases day rates. Similarly, if OPEC removes restricted production quotas, or Iran and Venezuela ever see operations improve, this would lead to a further improvement in day rates. Strong cash generation from current day rates should result in a sizeable dividend as evidenced by strong prior payout ratios. Its current valuation is around 0.8x P/NAV, which means it could accretively sell a vessel and buy back stock.

Ero Copper

This is primarily a copper miner, but also owns a gold mine. The assets are located in Brazil. This is a low capex restart of brown field facilities. The group also has development potential for nickel and platinum group metals ('PGMs'). The metal grades and expansion potential are truly world class. With 30 rigs currently drilling, Ero is one of the most active in the sector.

Americas Gold and Silver

Americas Silver has producing mines located in Mexico and the US. The recently acquired and funded heap-leach gold Relief Canyon project in Nevada and recently constructed San Rafael Mine in Mexico are both ramping-up and at full output will make Americas Gold and Silver a low-cost and diversified producer.

Integra Resources

The group is led by a management team which previously successfully grew, developed and sold the Lamaque Project, located in Canada for C$600 M in 2017. The project was owned by a company in which the fund had an investment, which established a working relationship between the parties. Since acquiring the DeLamar Project, and adjacent gold and silver deposits in late 2017, Integra has demonstrated significant resource and provided a robust economic study in its maiden Preliminary Economic Assessment. The Company is currently focused on resource growth through brownfield and greenfield exploration and the start of advanced studies designed to de-risk the DeLamar Project and move it towards a potential development decision.

TiZir 9.5%

Parent owner, Eramet, recently agreed to sell the business to US paint manufacturer Tronox for ~$300m. The sale constitutes a Mandatory Prepayment Event and the bond, which carries a 9.5% coupon, is expected to be redeemed at 103.8% of par on completion.

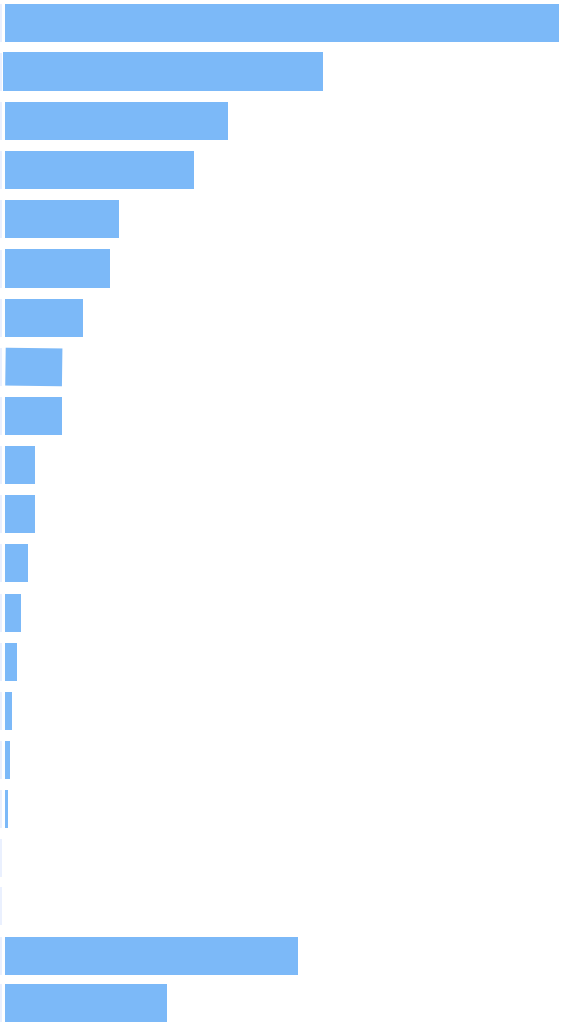
Talon Metals

Under the terms of the earn-in agreement Talon is the controlling operator to advance the high grade sulphide project in Minnesota, USA. There is substantial opportunity to expand the resource defined on the existing Tamrak ore body and by identifying deposits on the wider prospective tenements. The Company is seeking to define a reserve and is investigating the production of both nickel and cobalt in concentrates and also producing sulphates for EV batteries for the domestic US market.

2020 Bulkers

The group owns a fleet of modern, fuel efficient vessels managed by an experienced management and board, combined with a low cost base.

Classification of Investment Portfolio by Sector



As at 30 June	2020 % of total investments	2019 % of total investments
Gold	24.4	16.1
Copper	14.1	15.3
Shipping	9.8	6.2
Base Metals	8.3	3.2
Silver	5.0	4.8
Oil & Gas	4.6	5.5
Uranium	3.4	4.2
Zinc	2.5	6.9
Nickel	2.5	2.3
Rare Earth	1.3	1.6
Lithium	1.3	1.5
Coal	1.0	2.2
Platinum	0.7	0.3
Iron	0.5	3.0
Diversified Miner	0.3	–
Palm Oil	0.2	0.3
Agriculture	0.1	0.2
Alternative Energy	–	1.2
Steel	–	0.1
Fixed Interest Securities	12.9	18.0
Preference Shares	7.1	7.1
Total Investments	100.0	100.0

Classification of Investments by Stock Market Quotation

As at 30 June	2020 % of total investments	2019 % of total investments
Canada	40.4	38.1
Australia	21.5	18.1
UK	11.9	14.8
Europe	8.5	6.1
US	14.7	19.9
Unquoted	3.0	3.0
Total Investments	100.0	100.0

Investment Portfolio

as at 30 June 2020

Company	Sector	Valuation £'000	Total Investments %
First Quantum Minerals (Note 1) **	Copper	6,302	8.2
West African Resources	Gold	5,679	7.4
REA Holdings (Note 2) **	Palm Oil	3,459	4.5
Euronav Luxembourg (Note 3) **	Shipping	3,387	4.4
Ero Copper	Copper	3,138	4.1
Americas Gold and Silver (Note 4)	Silver	3,125	4.1
Integra Resources	Gold	2,341	3.0
TiZir 9.5% 19/07/2022 **	Mineral Sands	2,026	2.6
Talon Metals	Nickel	1,899	2.5
2020 Bulkers	Shipping	1,795	2.3
Top ten investments		33,151	43.1
Diversified Gas & Oil	Oil & Gas	1,793	2.3
Roxgold	Gold	1,782	2.3
BW LPG	Shipping	1,746	2.3
Raven Russia **	Property	1,715	2.2
NexGen Energy	Uranium	1,542	2.0
Emerald Resources	Gold	1,536	2.0
Hurricane Energy **	Oil & Gas	1,530	2.0
Adventus Mining	Base metals	1,512	2.0
Trafigura Group Pte 6.875% Variable Perpetual **	Finance	1,449	1.9
Adriatic Metals	Base metals	1,322	1.7
Top twenty investments		49,078	63.8
Oilflow SPV 1 DAC 12% 13/01/2022 **	Oil & Gas	1,237	1.6
Pure Gold Mining	Gold	1,180	1.5
Goodbulk	Shipping	1,151	1.5
Metals X	Base metals	1,140	1.5
Calibre Mining	Gold	1,079	1.4
Lynas Corporation	Rare Earth	1,075	1.4
Sigma Lithium Resources	Lithium	1,072	1.4
Central Asia Metals	Copper	1,070	1.4
Trevali Mining	Zinc	1,058	1.4
Westgold Resources	Gold	1,042	1.4
Top thirty investments		60,182	78.3
Oklo Resources	Gold	930	1.2
Ascendant Resources	Zinc	895	1.2
Galiano Gold	Gold	891	1.2
Balfour Beatty Preferred 9.675% 01/07/2020	Other investments	833	1.1
Base Resources	Mineral Sands	769	1.0
Galena Mining	Base metals	723	0.9
Arch Resources	Coal	720	0.9
Aquila Resources	Gold	706	0.9
Fortuna Silver Mines	Silver	685	0.9
American Tanker Inc 9.25% 22/02/2022 **	Shipping	673	0.9
Top forty investments		68,007	88.5

Notes to the Investment Portfolio are on page 7.

Company	Sector	Valuation £'000	Total Investments %
Capstone Mining Corporation	Copper	639	0.8
Odyssey Energy	Oil & Gas	596	0.8
IGO	Base metals	555	0.7
Elematic Oyj 10% 30/06/2021**	Technology	552	0.7
Vintage Energy	Oil & Gas	518	0.7
Platinum Group Metals	Platinum	509	0.7
Silver Lake Resources	Gold	503	0.7
Ur-Energy	Uranium	492	0.6
Foran Mining	Copper	453	0.6
Jupiter Mines	Iron	406	0.5
Top fifty investments		73,230	95.3
Lundin Mining	Base metals	375	0.5
Gran Colombia Gold Corp 8.25% 30/04/2024 **	Gold	335	0.4
PetroTal Corp	Oil & Gas	315	0.4
Bluestone Resources	Gold	300	0.4
Cardinal Resources	Gold	284	0.4
NT Rig Holdco PTE 7.5% 20/12/2021 **	Finance	281	0.4
Fission Uranium	Uranium	257	0.3
Teck Resources	Diversified Miner	244	0.3
Castile Resources Property	Gold	243	0.3
Denison Mines	Uranium	241	0.3
Top sixty investments		76,105	99.0
Sabina Gold & Silver	Gold	228	0.3
Avance Gas	Shipping	96	0.1
Oro Negro 7.5% 24/01/2019 **	Oil & Gas	63	0.1
Petro Matad	Oil & Gas	62	0.1
Precision Drilling	Oil & Gas	60	0.1
Agriculture Investment Group	Agriculture	60	0.1
Manhattan Corp	Uranium	54	0.1
Contura Energy	Coal	49	0.1
Valore Metals	Gold	44	–
Polarcus **	Oil & Gas	38	–
Top seventy investments		76,859	100.0
Other investments		57	–
Total investments		76,916	100.0

Strategic Review

Introduction

This review is part of the Strategic Report being presented by the Company under guidelines for UK-listed Companies' Annual Reports in accordance with The Companies Act 2006, and is designed to provide information primarily about the Company's business and results for the year ended 30 June 2020. It should be read in conjunction with the Chairman's Statement on pages 3 and 4 and the Investment Manager's Review on pages 5 to 6, which give a detailed review of the investment activities for the year and look to the future.

This year, we also discuss our approach to our stakeholder responsibilities and the Board's review of the Company's purpose, culture and values during the year for the first time, and in more detail, on page 25. We also discuss our approach to people, social and governance matters and the environment in the Directors' Report on page 15.

Business Model

The business model of the Company is described in more detail below.

Investment Objective

The Company seeks 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.

Investment Policy

The Company invests predominantly in mining and resource equities and mining, resource and industrial fixed interest securities (including, but not limited to, preference shares, loan stocks and corporate bonds, which may be convertible and/or redeemable). The Company may invest in companies regardless of country, sector or size and the Company's portfolio is constructed without reference to the composition of any stock market index or benchmark. Exposure to higher yielding securities may also be obtained by investing in other sectors, including closed-end investment companies and open-ended collective investment schemes.

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.

The Company may acquire securities that are unquoted at the time of investment but which are about to be, or are immediately convertible at the option of the Company into securities which are, listed or traded on a stock exchange, and may continue to hold securities that cease to be quoted or listed if the Investment Manager considers this appropriate. In addition, the Company may invest up to 10 per cent of its gross assets in other securities that are unlisted or unquoted at the time of investment.

The Company will not invest more than 15 per cent in aggregate of the value of its total assets (measured at the time of investment) in other investment trusts or investment companies which are listed on the Official List except that this restriction does not apply to investments in other investment trusts or investment companies which themselves have published investment policies to invest no more than 15 per cent of their total assets in other investment trusts or investment companies which are listed on the Official List.

The Company may borrow up to 25 per cent of shareholders' funds (measured at the time of drawdown).

The Investment Manager expects that the Company 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 position in cash, money market instruments and derivative instruments in order to seek protection from stock market falls.

The Company's performance in meeting its objectives is measured against key performance indicators ('KPIs') as set out on pages 2 and 14. The primary KPI against which shareholders' returns are measured is a composite benchmark weighted 80 per cent to the EMIX Global Mining Index (sterling adjusted) and twenty per cent to the Credit Suisse High Yield Index (sterling adjusted).

Principal Risks and Uncertainties and Risk Mitigation

Risks are inherent in the investment process, but it is important that their nature and magnitude are understood so that risks, particularly those which the Company does not wish to take, can be identified and either avoided or controlled. The Board has established a detailed framework of the key risks that the business is exposed to, with associated policies and processes devised to mitigate or manage those risks.

The Directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. The Board has spent considerable time analysing the global effects of the Covid-19 pandemic this year, which had resulted in a new principal risk this year, and is closely monitoring the potential impact of Brexit as part of the Company's investment risk. The Board and Investment Manager will both continue to keep developments under review.

Covid-19 Risk – The Covid pandemic has had a profound effect globally in the first half of 2020, and at the time of writing there continues to be considerable uncertainty as to when and if the situation might be resolved. The natural resource sectors of economies that the Company focuses on under its investment strategy have been materially impacted by events, having encountered reduced demand; production and supply restrictions; and increased governmental intervention and regulation at different times. The interconnectedness of the global economy in the twenty first century means there is a continuing risk of future events or disruption. The Board have therefore introduced a new principal risk as at the date of this report to reflect the events of 2020 year to date, and the possibility of future risks to the Company's investment strategy and income streams.

Investment and Strategy Risk – The Board is responsible for deciding the investment strategy to fulfil the Company's objectives and monitoring the performance of the Investment Manager. Inappropriate strategy, including country and sector allocation, stock selection and the use of gearing, could lead to poor returns

for shareholders. To manage this risk the Board requires the Investment Manager to provide an explanation of significant stock selection decisions and the rationale for the composition of the investment portfolio at each Board meeting, when gearing levels are also reviewed. The Board monitors the spread of investments to ensure that it is adequate to minimise the risk associated with particular countries or factors specific to particular sectors. The Investment Manager also provides the Board and shareholders with monthly factsheets which include an investment commentary.

Market Risk – The Company's assets consist principally of listed equities and fixed interest securities and its greatest risks are in consequence market-related. In addition to ordinary movements in the prices of the Company's investments and the loss that the Company might suffer through holding investments in the face of negative market movements, the Company's investment strategy necessarily amplifies this risk (see Sector Risk below). The Board seeks to mitigate this risk through the processes described in the paragraph above, monitoring the implementation and results of the investment process with the Investment Manager.

Sector Risk – The largest part of the Company's assets consist of equity-related investments in companies, usually mid and small cap companies, with a wide range of commodity exposures. The prices of the underlying commodities are often volatile and the companies can be located in countries at risk of political instability and vulnerable to natural disasters. The liquidity in the shares of the investee companies is often restricted, meaning that it can be difficult to buy or sell volumes of shares at the quoted price. The Board seeks to mitigate this risk through the processes described in the paragraph above on Investment and Strategy Risk. In addition, the closed-ended structure of the Company is an essential part of the Board's management of this risk, ensuring that parts of the portfolio do not have to be sold to raise liquidity to fund redemptions at short notice.

Financial Risk – The Company's investment activities expose it to a variety of financial risks that include market price risk, foreign currency risk, interest rate risk and liquidity and credit risk. Further details of these risks and the ways in which they are managed are disclosed in note 17 of the financial statements.

Earnings and Dividend Risk – Earnings do not underpin dividends declared on an annualised basis, with the portfolio being managed on a total return basis. This may mean that in future years annualised earnings from investments may generate insufficient income to cover dividends declared. In that event, the Directors would consider declaring dividends from retained earnings, with the risk that shareholders' capital invested then reduces over time. Future dividends are expected to be uncovered over the short to medium term and will be funded from distributable reserves as necessary.

Operational Risk – The Company relies upon the services provided by third parties and is reliant on the control systems of the Investment Manager and the Company's other service providers. The security and/or maintenance of, inter alia, the Company's assets, dealing and settlement procedures, and accounting records depend on the effective operation of these systems. These are regularly tested and monitored and are reported on at each Board meeting. An internal control report, which includes an assessment of risks, together with the procedures to mitigate such risks, is prepared by Maitland Administration Services (Scotland) Limited, whose systems and processes the Administrator relies upon. These are reviewed by the Audit Committee, as a minimum, once a year. CQS delivers a risk based internal audit plan across the CQS Group which covers different areas of front, middle and infrastructure audits; any areas of concern are discussed with the Audit Committee when it meets.

Regulatory Risk – The breach of regulatory rules could lead to a suspension of the Company's stock exchange listing or financial penalties. Breach of Sections 1158 to 1159 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on chargeable gains. The Company Secretary monitors the Company's compliance with the Listing Rules of the UK Listing Authority and Sections 1158 to 1159 of the Corporation Tax Act 2010. Compliance with the principal rules is reviewed by the Directors at each Board meeting.

Political Risk – Political developments are closely monitored and considered by the Board. The Board has noted the continued uncertainty as to the terms on which the transition period following the UK leaving the European Union will end. The Board is also receiving regular briefings regarding the increased tension around established global and regional trade arrangements and threat of sanctions. The Board will continue to monitor developments as they occur and assess the potential consequences for the Company's future activities.

Emerging Risks – During Board discussions on principal risks and uncertainties, the Board considered any risks that were not an immediate threat but could arise in the longer term and have significant impact on the ability of the Company to continue to meet its objectives. Areas discussed include longer term impacts of climate change on the Company's portfolio and returns, and any prolonged economic impact of Covid-19 on different sectors of the world economy. The Board discussed these with the Manager, and developments in both areas will be kept under review, along with the impact of Brexit as we near the end of the transition period.

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 conducted this viability review for a period of three years, such timeframe being deemed most appropriate to the cycles within which the Company's investee companies operate and the sectors of the economy in which the portfolio is concentrated. The Board continues to consider that this period also reflects the long term objectives of the Company, being a Company with no fixed life, whilst taking into account the impact of uncertainties in the markets.

As discussed throughout the Strategic Review and this Annual Report as a whole, the Directors continue to monitor the implications of the Covid pandemic on the Company's investment strategy, outlook and financial position. This monitoring has

considerably informed the Directors' viability assessment and statement this year.

However, the Directors do not expect there to be any significant change to the current principal risks facing the Company, which now include a new Macro-Event Risk relating to the effects of the Covid pandemic, nor to the adequacy of the controls in place to mitigate those risks. Furthermore, the Directors do not envisage any change in strategy which would prevent the Company from operating over the three year period.

This is based on the assumption that there are no significant changes in market conditions or the tax and regulatory environment that could not reasonably have been foreseen. The Board also considers the annual continuation vote should not be a factor to affect the three year period given the ongoing support of major shareholders.

In making this statement the Board: (i) considered the continuation vote to be proposed at the Annual General Meeting which the Board considers will be voted in favour of by shareholders; and (ii) carried out a robust assessment of the principal risks facing the Company. These risks and their mitigations are set out on pages 12 and 13.

The principal risks identified as most relevant to the assessment of the viability of the Company were those relating to a future macro-event likely to have a material impact on the financial position of the Company and the potential under-performance of the portfolio and its effect on the ability to pay dividends. When assessing these risks the Directors have considered the risks and uncertainties facing the Company in severe but reasonable scenarios, taking into account the controls in place and mitigating actions that could be taken.

When considering the risk of under-performance, the Board carried out a series of stress tests and detailed financial modelling including in particular the effects of any substantial future falls in investment value on the ability to re-pay and re-negotiate borrowings, potential breaches of loan covenants and the maintenance of dividend payments.

The Board considered the Company's portfolio and concluded that the diverse nature of investments held gives stability and liquidity along with flexibility to be able to react positively to market and political forces outside of the Board's control.

The Board also considered the impact of potential regulatory change and the controls in place surrounding significant third party providers, including the fund manager.

The Board also noted the liquidity risk in the portfolio where the percentage of Level 1 listed investments held at the year end was 83.4%.

The Scotiabank loan facility is due to expire on 20 September 2020. It is anticipated a new facility on comparable terms will be negotiated prior to this date.

Based on the Company's processes for monitoring revenue and costs, with the use of frequent revenue forecasts, and the Manager's compliance with the investment objective and policies, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of approval of this Report.

Performance Measurement and Key Performance Indicators

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The tables and data on page 2 show how the Company has performed against those KPIs, and a glossary of terms and alternative performance measures is included on page 14. The key performance indicators (KPIs) used to measure progress and performance over time, and which are comparable to those reported by other investment trusts are as follows:

Investment Performance

To assess investment performance, the Board monitors the net asset value (NAV) performance of the ordinary shares relative to that of its benchmark index. The Company invests principally in equity-related investments in companies, usually mid and small cap companies, with a wide range of commodity exposures as well as a number of fixed interest securities. After investigation the Board has concluded that there are no indices truly representative of the Company's diversified small and mid-cap commodities equity focus or its high-yielding securities portfolio. It has therefore chosen an approximate composite proxy, being 80 per cent of the EMIX Global Mining Index (sterling adjusted) and twenty per cent of the Credit Suisse High Yield Index (sterling adjusted). Given that only a very small proportion of the Company's portfolio overlaps with the composite benchmark, Shareholders should expect a significant degree of convergence away from the benchmark return.

The performance of the NAV and composite benchmark are shown in the graphs on the inside cover with statistics also shown on page 2.

NAV and Share Price Performance

Source: Maitland Administration Services (Scotland) Limited.

- **Dividends per share**
  The Board currently intends to at least maintain the level of dividend paid by the Company in respect of subsequent financial years. The continuing ability of the Company to do so is monitored on a quarterly basis. During the year under review dividends per share totalling 5.60 pence per share were declared (2019: 5.60 pence).

- **Ongoing charges**
  The ongoing charges are a measure of the total 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. For the year under review ongoing charges were 1.8% (2019: 1.9%).

These KPIs fall within the definition of "Alternative Performance Measures" (APMs) under guidance issued by the European Securities and Markets Authority (ESMA) and additional information explaining how these are calculated is set out in the Glossary on page 52.

The Directors have carefully selected these KPIs as in their view these combine to provide the most appropriate measures of performance, both in terms of managing the business and presentation to shareholders and stakeholders. The Board is satisfied that performance against each measure has been satisfactory in the context of the events in the financial year. Further information regarding forward looking assessments for the KPIs can be found in the Chairman's Review and Investment Manager's Report.

Future Prospects

The Chairman's Statement on pages 3 and 4 and the Investment Manager's Report on pages 5 and 6 include a review of developments during the year as well as information on investment activity within the Company's portfolio and the factors likely to affect the future performance of the Company.

Social, Community, 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, they have also requested that the Investment Manager take into account the broader social, ethical and environmental issues of all 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.

More specifically, to access capital they now expect companies to demonstrate ethical conduct, effective management of their stakeholder relationships, responsible management and mitigation of social and environmental impacts, as well as due regard for wider societal issues. The Investment Manager is increasingly expected to engage with investee companies around these themes, in line with the expectations of the UK Stewardship Code.

The Company's Investment Manager, CQS (UK) LLP, has in turn stated that they view environmental, social and governance ("ESG") factors as a key driver of financing costs, valuations and performance, while also being capable of acting as a lever to shape and influence the world for generations to come. The integration and assessment of ESG factors is a crucial part of this commitment, and a key factor in their decision-making. Through embedding ESG into the investment process the Investment Manager seeks to enhance their ability to identify value, investment opportunities and, critically, to generate the best possible returns for their clients. CQS (UK) LLP is signatory to the internationally recognised Principles for Responsible Investment ("PRI"), fully supporting all of the PRIs.

As an investment trust with its current structure the Company has no direct social, community, employee or environmental responsibilities of its own.

Modern Slavery Act 2015

As an investment vehicle the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company does not fall within the scope of the Modern Slavery Act 2015 and is not, therefore, obliged to make a slavery and human trafficking statement.

Board Diversity

Details of the Directors of the Company on 30 June 2020, all of whom held office throughout the year are set out on pages 16 and 17.

The Board consists of three male Directors and two female Directors, which represents a gender diversity ratio of 40% and means composition of the Board already exceeds the expectations of Lord Davies's 'Women on Boards' review.

The Board acknowledges that diversity in the Boardroom and the workplace is also an increasingly important area of focus today for UK business, and also a key theme of the latest update of the Code. Whilst the current composition of the Board, which is very stable, is very diverse in terms of experience and background, it is not ethnically diverse. The Board is committed to keeping this under review when considering future board appointments, whilst always basing any recruitment on merit. The Company has no directly employed staff, however, the Board is kept informed of and monitors diversity based policies at each of its principal third party advisors.

By order of the Board
Richard Prickett
Chairman

8 September 2020

Board of Directors and Investment Manager

All of the Directors are non-executive and all are considered by the Board to be independent of the Investment Manager.

The Board fulfils the function of the Audit, Nomination and Management Engagement Committees.

Richard Öther Prickett FCA

Chairman

Length of service: 13 years
appointed a Director on 30 November 2006 and resigned as Chairman of the Audit Committee on 1 October 2016. Appointed Chairman on 24 March 2018.

Experience:
Richard is a Chartered Accountant and has substantial corporate experience in the mineral sector, having been chairman of Brancote Holdings until its merger with Meridian Gold in 2002. He was a director of Landore Resources, an AIM traded mineral exploration company, until stepping down from the Board in February 2020. He is also a non-executive director of AIM listed The City Pub Group plc, and The Pioneer (City) Pub Company Limited.

Committee membership:
Management Engagement Committee
Nomination Committee

Remuneration: £30,000 per annum (increased from £27,000 on 1 July 2019)

All other public company directorships:
The City Pub Group plc

Shared Directorships with any other Trust Directors:
None, having stepped down as a Director of Landore Resources Limited in February 2020

Shareholding in Company: 90,000 ordinary shares

Alun Grant Evans

Director

Length of service: 6 years
appointed a Director on 26 September 2014.

Experience:
Alun has worked in the investment management industry for nearly 40 years. He began his career at Capel-Cure Myers moving to Carr Sheppards Crosthwaite in 1990, where he became an executive director in 1998. He joined Cheviot in 2009 as Business Development Director, from which he retired in August 2017.

Committee membership:
Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £23,000 per annum (increased from £20,000 on 1 July 2019)

All other public company directorships: None

Shared Directorships with any other Trust Directors: None

Shareholding in Company: 10,540 ordinary shares

Carole Cable

Director

Length of service: 3 years
appointed a Director on 1 October 2017.

Experience:
Carole is a partner and co-head of the Energy and Resources division at Brunswick Group LLP, where she advises clients in the mining and oil/gas sector. Carole has had a 25 year career connected to the mining and commodities sector, initially on the sell side at JP Morgan and Credit Suisse. Carole is also a non-executive director of Nyrstar NV, the global mining and multi metals business, and the Chair of Women in Mining UK.

Committee membership:
Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £23,000 per annum (increased from £20,000 on 1 July 2019)

All other public company directorships:
Nyrstar N.V.

Shared Directorships with any other Trust Directors: None

Shareholding in Company: None

Christopher Michael Casey

Director

Length of service: 3 years
appointed a Director on 1 October 2017.

Experience:
Christopher is currently Chairman of TR European Growth Trust PLC, and a director of Black Rock North American Income Trust PLC, Mobius Investment Trust plc, and Life Settlement Assets PLC. Christopher was a KPMG partner until 2010. Since then he has carried out a number of non-executive board roles including chairman of China Polymetallic Mining Ltd.

Committee membership:
Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £23,000 per annum (increased from £20,000 on 1 July 2019)

All other public company directorships:
TR European Growth Trust Plc
BlackRock North American Income Trust Plc
Mobius Investment Trust plc
Life Settlement Assets PLC

Shared Directorships with any other Trust Directors: None

Shareholding in Company: 6,500 ordinary shares

Helen Foster Green

Director and Chairman of the Audit Committee

Length of service: 5 years
appointed a Director on 1 September 2015 and appointed Chairman of the Audit Committee on 1 October 2016.

Experience:
Helen is a Chartered Accountant and a director of Saffery Champness, one of the UK's Top 20 accountancy practices, in Guernsey. She joined Saffery Champness in London in 1984, relocating to Guernsey in 2000.

Committee membership:
Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £26,000 per annum (increased from £22,000 on 1 July 2019)

All other public company directorships:
Aberdeen Emerging Markets Investment Company Limited
Landore Resources Limited
UK Mortgages Limited
JPMorgan Global Core Real Assets Limited (appointed 24 September 2019)
Acorn Income Fund Limited (resigned 16 August 2019)

Shared Directorships with any other Trust Directors:
None, following the Chairman stepping down as a director of Landore Resources Limited in February 2020

Shareholding in Company: 5,500 ordinary shares

Investment Manager

CQS Cayman Limited Partnership ("CQS") was appointed as the Company's Investment Manager in 2007 and with the agreement of the Board, since then the function has been delegated to CQS (UK) LLP, trading as NCIM.

NCIM, is part of the CQS Group, a global diversified asset manager, running multiple strategies with, as at 31 August 2020, assets of US$17.7 billion under management.

With effect from 19 May 2019, the Company entered into a new investment management agreement to appoint CQS (UK) LLP as its Investment Manager. The previous investment management agreement with CQS was terminated.

Ian Francis, Keith Watson and Rob Crayfourd have day-to-day responsibility for managing the Company's portfolio.

Ian Francis joined the NCIM 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.

Keith Watson joined the NCIM team in 2013 from Mirabaud Securities where he was a Senior Natural Resource Analyst. Prior to Mirabaud, Keith was Director of Mining Research at Evolution Securities. Previous to this, he was a top-ranked business services analyst at Dresdner Kleinwort Wasserstein, Commerzbank and Credit Suisse/BZW. Keith began his career in 1992 as a portfolio manager and research analyst at Scottish Amicable Investment Managers. Keith has a BSc (Hons) in Applied Physics from Durham University.

Robert Crayfourd joined the NCIM team in 2011. He holds a BSc in Geological Sciences from the University of Leeds and is a CFA holder with over 13 years' experience, having previously worked for the Universities Super Annuation Scheme and HSBC Global Asset Management where he focused on the resource sector.

Alternative Investment Fund Managers Directive (AIFMD)

The Company has appointed CQS (UK) LLP, a subsidiary of CQS, as the Company's alternative investment fund manager ("AIFM"). The AIFM has received its approval from the FCA to act as AIFM of the Company, the Company is therefore 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 appointed HSBC Bank plc to act as the Company's depositary.

As part of the process the investment management agreement was updated and builds in the regulatory requirements arising as a result of the appointment of the AIFM.

Further AIFMD disclosures are shown on pages 56 and 57.

Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 30 June 2020. The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, and the relevant provisions of the Companies Act, 2006.

Corporate Governance

The Statement of Corporate Governance is set out on pages 22 to 25 and forms part of this Report.

Principal Activity and Status

The Company is registered as a public limited company in terms of the Companies Act 2006 (number: 02978531). It is an investment company as defined by Section 833 of the Companies

Act 2006. It carries on the business of an investment trust and has been approved under Sections 1158 and 1159 of the Corporation Tax Act 2010 by HM Revenue and Customs as such, subject to continuing to meet eligibility requirements. The Directors are of the opinion that the Company has conducted its affairs in a manner compliant with the conditions for continued approval and intends to continue to do so.

The Company has a premium listing on the London Stock Exchange, within the Financial Services sector, and is identified by the TIDM or ticker symbol 'CYN'. The Company's ISIN is GB0000353929 and SEDOL is 0035392.

As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund ("AIF") falling within the scope of, and subject to, the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"). Further details are provided in the AIFMD Disclosures on pages 56 and 57.

The Company's shares are eligible for inclusion in a New Individual Savings Account (NISA). The Company is a member of the Association of Investment Companies ('AIC').

In May 2020, the Board announced the appointment of N+1 Singer Advisory LLP www.n1singer.com as the Company's broker to replace Cantor Fitzgerald Europe.

Results and Dividends

Details of the Company's results and dividends paid are shown on page 2 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 this dividend policy will be proposed at the Annual General Meeting ('AGM').

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on pages 16 and 17.

As explained in more detail under Corporate Governance on pages 22 to 25, the Board has agreed that all Directors will retire annually. Mr R O Prickett, Ms C Cable, Mr C M Casey, Mr A G Evans, and Mrs H F Green will retire at the Annual General Meeting and, being eligible, offer themselves for re-election for a further year.

The Directors believe that each of the Directors brings a significant range of business, financial and management skills and experience to the Company and enable the Board to provide effective strategic leadership and proper guidance of the Company. The Board confirms that, following the annual evaluation process set out in the Corporate Governance Statement on page 22 the performance of each of these Directors continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that these Directors are re-elected.

None of the Directors is entitled to compensation for loss of office on the takeover of the Company. None of the Directors has a service contract with the Company.

The Directors exercise the powers conferred by the Company's Articles of Association and UK Company Law to manage the Company's interest for the benefit of shareholders and stakeholders. Further information regarding the proposed changes to those authorities this year can be found on page 20.

Directors and Officers Insurance

The Company has a Directors and Officers insurance policy in respect of liabilities that may attach to them in their capacity as Directors of the Company. This covers any liabilities that may arise to a third party for negligence, default or breach of trust or duty. This policy has been in force throughout the year under review and remains in place as at the date of this report. For more information see note 4.

Conflicts of Interest

The Board has a procedure for identifying, reporting and addressing conflicts of interest, or potential conflicts. It considers that the procedure has worked effectively during the year under review and intends to continue to review all notified situations on an annual basis.

Directors' Remuneration Policy and Report

The Directors' Remuneration Report is set out on pages 28 and 29. An advisory ordinary resolution to approve the report will be put to shareholders at the Company's AGM. The Company is also required to put the Directors' Remuneration Policy to a binding shareholder vote on a triennial basis. The Remuneration Policy was approved by shareholders at the AGM held in 2018 and will continue to apply for the next financial year to 30 June 2021.

Directors' responsibilities

The Directors' responsibilities in preparing these financial statements are stated on page 21.

Capital Structure

As at 30 June 2020 there were 66,888,509 ordinary shares of 25 pence each in issue. The ordinary shares give shareholders the entitlement to all of the capital growth in the Company's net assets and to all the Company's income that is resolved to be distributed.

Substantial Interests in the Company's Shares

In accordance with the FCA's Disclosure and Transparency Rule 5.1.2R as at 30 June 2020, the Company had received the following

notifications of interests in 3% or more of the voting rights attached to the Company's issued share capital.

The Company has not been advised of any changes to these notified interests between 30 June 2020 and the date of this report.

Substantial Interests

Ordinary shares	Number held	% held
Armstrong Investments	8,050,000	12.0
Miton Group	3,475,000	5.2
Philip J Milton	3,398,297	5.1
Charles Stanley & Co / Rock (Nominees)	3,338,663	5.0
Miton Global Opportunities	2,025,000	3.0

Management and Management Fees

As part of its strategy for achieving its objectives, the Board has delegated the management of the investment portfolio to CQS (UK) LLP, trading as New City Investment Managers, with Ian Francis, Keith Watson and Rob Crayfourd as the portfolio managers.

The Board keeps under review the appropriateness of the Investment Manager's appointment. In doing so the Management Engagement Committee considers the investment performance of the Company and the capability and resources of the Investment Manager to deliver satisfactory investment performance. It also considers the length of the notice period of the investment management contract and the fees payable to the Investment Manager, together with the standard of the other services provided. The Directors are satisfied with the Investment Manager's ability to deliver satisfactory investment performance, and the quality of other services provided. It is therefore their opinion that the continuing appointment of the Investment Manager on the terms agreed is in the interests of shareholders as a whole.

Since 3 April 2018 the Company's annual management fee has been 1.2 per cent on net assets up to £150 million; 1.1 per cent on net assets above £150 million and up to £200 million; 1.0 per cent on net assets above £200 million and up to £250 million; and, 0.9 per cent on net assets above £250 million.

The administration of the Company has been delegated to Maitland Administration Services (Scotland) Limited ("Maitland"). Equiniti act as the Company's share registrar.

Change of Control

There are no agreements which the Company is party to that might be affected by a change of control of the Company.

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.

Principal risks

The key risks faced by the Company are set out in the Strategic Review on pages 12 to 13. The Board and Audit Committee regularly review the Company's emerging and principal risks and consider related changes in the Company's risk profile.

Going Concern

Since 2004, shareholders have been given the opportunity to vote on an Ordinary Resolution to continue the Company as an investment trust at each Annual General Meeting of the Company.

Such a resolution has been proposed as Resolution 11 within the notice of Annual General Meeting on pages 53 to 54. The Directors recommend that shareholders vote in favour of continuation, as they intend to do so in respect of their own beneficial shareholdings. Discussions with the Company's significant shareholders also suggest their support for the continuation vote, as in previous years. If the resolution is not passed, the Board will put forward proposals to liquidate, open-end or otherwise reconstruct the Company.

After making enquiries of the Company's Investment Manager, and having considered the Company's investment objective, nature of the investment portfolio and expenditure projections, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, and in light of the Company's long term investment record, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the accounts, notwithstanding that the Company is subject to an annual continuation vote as described above.

In forming this opinion, the Directors spent considerable time during the financial year, together with the Investment Manager, reviewing the implications of the Covid pandemic for the Company's financial position, liquidity, investment strategy and dividend policy. The Investment Manager also kept the Board regularly updated as to the implications for the portfolio investee companies where these had been disclosed.

These regular reviews established that the global pandemic had profound implications for the Company's portfolio of investee companies, many of which reduced or restricted production for safety reasons or due to the availability of staff. This had the immediate effect of reducing the Company's dividend income streams in the short term. However, the Company was otherwise well placed to withstand the wider economic effects of the pandemic, particular with the recovery in asset values in the second quarter. The Board were therefore comfortable to declare the fourth quarterly interim dividend payment, to be drawn from the Company's strong reserves, and also firmly feel it is appropriate to adopt the going concern basis as at 30 June 2020.

Financial Statements

The Directors' responsibilities regarding the financial statements and safeguarding of assets are set out on page 21.

Streamlined Energy and Carbon Reporting

The Company is categorised as a lower energy user under the HMRC Environmental Reporting Guidelines March 2019 and is therefore not required to make the detailed disclosures of energy and carbon information set out within the guidelines. The Company's energy and carbon information is therefore not disclosed in this report.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations for the year ended 30 June 2020 (as per the prior year),

nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 (including those within the underlying investment portfolio). The Company's approach with regard to the environmental standards and performance of investee companies is discussed in more detail in the section headed Stewardship Code on page 23.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross-reference table indicating where the information is set out. The Directors confirm that there were no disclosures to be made in this regard.

Annual General Meeting

The Notice of the Annual General Meeting is contained on pages 53 to 54.

Continuation Vote

The Directors are required to propose an Ordinary Resolution at the forthcoming Annual General Meeting that the Company shall continue in being an investment trust. Accordingly, the Directors are proposing Resolution 11, as an Ordinary Resolution.

Resolutions relating to the following items of special business will also be proposed at the forthcoming AGM.

Directors' Authority to Allot Shares

The Directors are seeking authority to allot shares. Resolution 12 will, if passed, authorise the Directors to allot new shares up to an aggregate nominal amount of £1,672,000 per annum being 10 per cent of the total issued shares as at the date of the Notice of the Annual General Meeting.

In response to the shareholder vote at the 2019 AGM, the Board clarifies and reconfirms that it would not, under any ordinary circumstance, seek to issue shares at a discount to net asset value per share. In the unlikely circumstance that the Directors consider such an action to be in the interests of shareholders, it would seek a specific enabling, or ratifying, authority to do so from shareholders.

Authority to disapply pre-exemption rights

Resolution 13, which is a Special Resolution, will, if passed, renew the Directors' existing authority to make allotments of shares or sell shares from treasury for cash without first offering them to existing holders in proportion to their existing holdings.

Resolution 13 authorises the Directors to allot new ordinary shares for cash or to sell shares held by the Company in treasury, otherwise than to existing shareholders on a pro rata basis up to an aggregate nominal amount of £836,100 which is equivalent to 3,344,405 ordinary shares and represents 5% of the Company's ordinary share capital as at the date of the Notice of Annual General Meeting.

These authorities will continue in effect until the conclusion of the Annual General Meeting in 2021. The Directors do not have any immediate plans to issue further ordinary shares in the Company.

Directors' Authority to Buy Back Shares

The Company did not purchase any shares for cancellation during the year.

Resolution 14, as set out in the notice of the Annual General Meeting, seeks renewal of the Company's authority to purchase its own shares. The renewed authority to make market purchases will be in respect of 10,026,525 ordinary shares being approximately 14.99 per cent of the issued ordinary shares of the Company in issue as at the date of the Annual General Meeting.

The price paid for the shares will not be less than the nominal value of 25p per share nor more than the higher of (i) 105 per cent of the average middle market quotations taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased or (ii) the price of the last independent trade or (iii) the highest current independent bid. This power will only be exercised if, in the opinion of the Directors, a purchase would result in an increase in net asset value per share and be in the interests of the shareholders as a whole. Any shares purchased under this authority will be cancelled immediately on completion of the purchase or held in treasury. The Directors have no current intention of utilising this authority. This authority will expire at the conclusion of the Annual General Meeting of the Company in 2021.

Notice of Meeting

Resolution 15, which is a Special Resolution, will be proposed to authorise the Directors to call general meetings of the Company (other than Annual General Meetings), on 14 clear days' notice.

The Company will also need to meet the Companies Act 2006 requirements for electronic voting before it may call a general meeting on 14 clear days' notice. The Directors confirm that, in the event that a general meeting is called, they will give as much notice as is practicable and will only utilise the authority granted by Resolution 15 in limited and time sensitive circumstances.

Recommendation

Your Board considers the passing of the resolutions to be proposed at the Annual General Meeting is likely to promote the success of the Company for the benefit of its members as a whole and are in the best interests of the Company and its shareholders as a whole.

Accordingly, the Directors unanimously recommend that shareholders should vote in favour of the resolutions, as they intend to do in respect of their own beneficial shareholdings.

Disclosure of Information to the Auditor

As required by Section 418 of the Companies Act 2006 each of the Directors who held office at the date of approval of this Directors' Report confirm that, so far as each of the Directors is aware, there is no relevant information of which the Company's auditors are unaware and the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The Auditor, BDO LLP is willing to continue in office as the Auditor and a resolution to reappoint BDO LLP and authorise the Directors to determine the Auditor's remuneration for the ensuing year, will be proposed at the Annual General Meeting.

By Order of the Board

Richard Prickett
Chairman

8 September 2020

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under Company Law 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 the profit or loss of the Company for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a directors' report, a strategic report and a directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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 and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

The Directors consider that the annual report and accounts, 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.

In the case of each Director in office at the date the Director's Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

Richard Prickett
Chairman

8 September 2020

Statement of Corporate Governance

Introduction

The UK Listing Authority requires all listed companies to describe how they have complied with the principles of the UK Corporate Governance Code published in 2018 ("the UK Code"), which is available on the Financial Reporting Council's website: www.frc.org.uk. The UK Code covers in particular the annual reappointment of Directors, Board diversity, external evaluation, the Board's responsibilities in relation to risk, and a clear explanation of business model and strategy.

The Association of Investment Companies also published a Code of Corporate Governance ("AIC Code"), in February 2019, and a Corporate Governance Guide for Investment Companies ("AIC Guide") which are available on the AIC's website: www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all of the principles set out in Section 1 of the Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

This is the first year that the Company has reported performance against the 2018 version of the Code and the 2019 version of the AIC Code, which considerably focus board's governance considerations on their company's purpose, culture, values, people where applicable, diversity and the integration of each of these thematic principles.

Statement of Compliance

The Board has considered the principles and recommendations of both the UK Code and the AIC Code and believes that the Company has complied with the applicable provisions throughout the year under review and up to the date of this report except as below.

The UK Code includes provisions relating to:

- The role of the chief executive;
- Executive directors' remuneration, including formation of a separate board committee and appointment of a remuneration consultant;
- The need for an internal audit function, including controls framework; and
- The appointment of a Senior Independent Director.

As the AIC Code acknowledges in setting out additional provisions relevant to the industry, the above exceptions are not believed to be automatically relevant to externally managed investment companies. The directors, having regularly reviewed the Company's compliance, are therefore comfortable that the Company applies in full with both the Code and the AIC Code. This report further describes how this compliance is achieved.

The Board

The Board consists solely of non-executive Directors. Mr Prickett is the Chairman and is responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role. Given the size and composition of the Board it is not felt necessary to appoint a Senior Independent Director. All Directors, are considered by the Board to be independent of the Investment Manager. Each of the Directors is independent in character and judgement and, there are no relationships, or circumstances which the Board considers likely to affect the judgement of the independent Directors.

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

The Board takes the view that independence is not compromised by length of tenure and that experience and continuity can add significantly to the Board's strength.

During the year ended 30 June 2020 the Board met nine times. In addition, there were two Audit Committee meetings, a Management Engagement Committee meeting, and a Nomination Committee meeting. Between meetings the Board maintains regular contact with the Investment Manager.

Directors have attended Board and Committee meetings during the year ended 30 June 2020 as follows (with their eligibility to attend the meeting in brackets).

	Management Engagement Committee meetings	Nomination Committee meetings	Audit Committee meetings	Board meetings
R Ö Prickett (Chairman)	1 (1)	1 (1)	-	9 (9)
C Cable	1 (1)	1 (1)	2 (2)	7 (9)
C M Casey	1 (1)	1 (1)	2 (2)	8 (9)
A G Evans	1 (1)	1 (1)	2 (2)	6 (9)
H F Green	1 (1)	1 (1)	2 (2)	9 (9)

The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated directly to the senior staff of 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.

The Board has put in place necessary procedures to conduct, on an annual basis, an appraisal of the Chairman of the Board as well as a performance evaluation of the Board as a whole, the individual Directors and the Board Committees. This was conducted through a questionnaire and discussions based assessment process. The Chairman regularly reviews and agrees with each Director their training and development needs. The annual evaluation of the Board and the Directors has been completed and the Directors have concluded that the Board continues to function effectively and individually.

The Board has reviewed the Chairman's and Directors' other commitments and is satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the advice and services of the Company Secretary, Maitland Administration Services (Scotland) Limited, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Board has reviewed the Company's internal controls and principal risks and uncertainties. These are described in the Strategic Report on pages 12 and 13.

Committees of the Board

The Board has three principal committees: the Audit Committee, the Management Engagement Committee and the Nomination Committee. The terms of reference for these committees are available on the website https://ncim.co.uk/cqs-new-city-highyield-fund-ltd/# or via the Company Secretary.

A separate remuneration committee has not been established as the Board consists of only five non-executive directors. The whole Board is responsible for setting directors' fees in accordance with the Remuneration Policy set out on page 28, which is subject to periodic shareholder approval.

Audit Committee

The Audit Committee comprises all directors, with the exception of the Chairman of the Board, and is Chaired by Helen Green. Further details are provided in the Report of the Audit Committee on pages 26 and 27.

Management Engagement Committee

A separate Management Engagement Committee, which is chaired by Mr Prickett and comprises the full Board, has been established. The Management Engagement Committee annually reviews matters concerning the management contract which exists between the Company and the Investment Manager. Details of the Management Agreement are shown in note 3 to the financial statements.

Nomination Committee

The Nomination Committee is chaired by Mr Prickett and comprises the full Board. Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. The Terms of Reference of the Nomination Committee are available on request. External search consultants may be used to assist in the appointment of new Directors.

Every Director is entitled to receive appropriate training as deemed necessary. A Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. In 2011, the Board decided that all Directors would retire annually and, if appropriate, seek re¬election.

Stewardship Code

The Financial Reporting Council ("FRC") published "The UK Stewardship Code" ("Code") for institutional shareholders in September 2012. The purpose of the Code is to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

The FRC is encouraging institutional investors to make a statement of their commitment to the Code. The Board has delegated responsibility for actively monitoring the activities of investee companies to the Investment Manager. The Investment Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the investee company, and for attending company meetings. This includes environmental, social and governance matters, as further discussed on page 25. The Investment Manager, in the absence of explicit instruction from the Board, is empowered to use discretion in the exercise of the Company's voting rights.

The Investment Manager's policy is to assess each voting opportunity individually and to vote only in cases where it is believed that the Company's best interests need to be protected. The Board has reviewed, and endorses, the Investment Manager's Statement of Compliance with the Code, which appears on the Investment Manager's website, at www.ncim.co.uk.

The Board receives reports from the Manager on the exercise by the Investment Manager of the Company's voting rights.

Bribery Prevention

The Board confirms it has zero tolerance to bribery and corruption in its business activities and take its responsibility to prevent bribery very seriously.

Criminal Finances Act 2017

In line with the requirements of The Criminal Finances Act 2017, the Directors confirm that the Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

Stakeholder Interests (s.172 statement)

The Board regularly reviews its responsibilities vis-à-vis section 172 of the Companies Act 2006, in conjunction with the Company Secretary. The key areas, being only those relevant to the Company as a listed investment trust, are applied to all relevant board decision-making:

(a) the likely consequences of any decision in the longer term;

(b) the need to foster the company's business relationships with suppliers, customers and others;

(c) the impact of the company's operations on the community and the environment;

(d) the desirability of the company maintaining a reputation for high standards of business conduct; and

(e) the need to act fairly between members of the Company.

Statement of Corporate Governance

As a listed investment trust, the Directors consider the following as supporting its approach to those key areas of these statutory responsibilities:

Stakeholder	Activity or mitigation in year
Shareholders	• The Board operates an investment strategy designed to deliver outperformance over the medium to longer term, based on exposure to valuable commodity markets; • Shareholders' rights are protected under the Company's Articles of Association which require any proposal that may materially change those rights to be subject to prior approval by a majority of shareholders in general meeting; and • Shareholders are given opportunities to attend meetings with the Board and to also attend, ask questions and vote at the Annual General Meeting of the Company.
Suppliers	The Board regularly evaluates the performance of its key panel of third party professional service providers.
Community & Environment	The Board's appointed investment manager is committed to integrating environmental, social and governance themes into both its research and engagement activities. CQS is also a signatory to the Principles for Responsible Investment. These areas are further discussed on page 15.
Other Stakeholders	• The Board seeks to maintain the highest levels of corporate governance through compliance with the principles and provisions of both the AIC Code and, to the maximum extent practicable, the UK Code; and • The Board is committed to responding promptly and transparently to any reputational or regulatory matter that might arise affecting the Company, its future prospects or its investment activities.

Principal decisions

The principal decisions set out below outline decisions taken during the year which the Board considers have the greatest impact on the Company's long term success. The Board considers the factors outlined under section 172 and the wider interests of stakeholders as a whole in all decisions it takes on behalf of the Company.

Decision	Stakeholder interests
Review of dividend policy	The Board recognises the importance Shareholders place on the Company's dividend policy and is cognisant of the need to ensure the viability of the dividend. It was agreed it was in the best interests of the Company and Shareholders to maintain the dividend in the year under review.
Change of service provider	After a review, the Board concluded that it would be more efficient and beneficial to have one service provider fulfilling the role of administrator, banker, company secretary, custodian and depositary. Accordingly, BNP Paribas Securities Services S.C.A., are due to be appointed in place of Maitland Administration Services (Scotland) Limited and HSBC Security Services Limited.

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report and Financial Statements are widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Investment Manager's website. The Company responds to letters from shareholders on a wide range of issues.

A regular dialogue is maintained with the Company's institutional shareholders and with private client asset managers. Reference to significant holdings in the Company's ordinary shares can be found under "Substantial Interests in the Company's Shares" on page 18.

The Notice of the Annual General Meeting ('AGM') included within the Annual Report and Accounts is sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board or Investment Manager,

either formally at the Company's AGM or subsequent to the meeting or subsequent to the meeting when teas and coffees will be offered to shareholders if the meeting is not closed due to pandemic restrictions. The Company Secretary is available to answer general shareholder queries at any time throughout the year.

Purpose, Values and Culture

The Board and the Investment Manager have taken time during the year to consider the expectations of the Code in the new areas of corporate purpose, values and culture. Whilst of the opinion that the Code's requirements in these areas apply more stringently to premium listed companies with their own operations, rather than investment companies with limited operations, the Board have identified the following for each on behalf of the Company:

Purpose – The Company's purpose is defined as the Board working collaboratively with the Investment Manager to deliver its agreed investment approach within its chosen natural resource and mining sectors of the economy to generate capital growth and income for investors, whilst cognisant of its regulatory, stakeholder and societal responsibilities.

Values – Given the Company's status as a listed investment trust, and lack of direct employees, the Company's values are essentially those of the Board and its interactions with its key third party advisers, which are defined by trust, rigorous review, and foresight amongst others.

Culture – The Board emphasises open collaboration between directors and the Company's third party advisers to create an environment conducive to effect decision-making. This also facilitates prompt and appropriate response to material issues by the Board. Where necessary, the Board challenges to ensure that performance is maintained on behalf of investors and stakeholders.

Employees, Social, Human Rights and Environmental Matters

As a UK listed investment trust, the Company has no direct employees and accordingly it has no direct social or community impact and very limited environmental impact from its operations. Nevertheless, the Board determines that given the profile of the natural resource sectors that the investment strategy focuses on, it is important that the Investment Manager monitors performance across these areas, specifically including human rights and health and safety performance, in finalising investment decisions. The investment portfolio is also increasingly focusing on low Greenhouse Gas businesses, commodities and solutions.

Disclosure and transparency rules

Other information required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules has been placed in the Directors' Report on pages 18 to 21 because it is information which refers to events that have taken place during the course of the year.

By Order of the Board

Richard Prickett
Chairman

8 September 2020

Report of the Audit Committee

Composition of the Audit Committee

- An Audit Committee has been established with written terms of reference and comprises four non-executive Directors, Mrs H F Green (Chair), Ms C Cable, Mr C M Casey and Mr A G Evans. The Audit Committee members have recent and relevant financial experience, and the Audit Committee as a whole has competence relevant to the sector in which the Company operates. The terms of reference of the Audit Committee are reviewed and reassessed for their adequacy on an annual basis and are disclosed on the Company's website. Further copies are available on request.

Role of the Audit Committee

A summary of the Committee's main audit review functions is shown below:

- to review and monitor the internal control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager and Administrators;
- to meet with the external Auditor, BDO LLP ("BDO") to review their proposed audit programme of work and their findings. The Board shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement the policy on the engagement of the external Auditor to supply non-audit services;
- to review an annual statement from the Investment Manager and Administrator detailing the arrangements in place whereby the staff of the Investment Manager and of the Administrator may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations in relation to the appointment of the external Auditor and to approve the remuneration and terms of engagement of the external Auditor; and,
- to monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification.

Annual Report and Financial Statements

The Board of Directors are responsible for preparing the Annual Report and financial statements. The Audit Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise and any specific areas which require judgement.

Auditor

As part of its review of the scope and results of the audit, during the year the Audit Committee considered and approved BDO's plan for the audit of the financial statements for the year ended 30 June 2020. At the conclusion of the audit BDO did not highlight any issues to the Audit Committee which would cause it to qualify its audit report. BDO issued an unqualified audit report which is included on pages 30 to 33.

It has been agreed that all non-audit work to be carried out by BDO must be approved in advance by the Audit Committee and any special projects must also be approved in advance. KPMG provided tax services for the Company during the year, independently of BDO as the Auditor.

As part of the review of auditor independence and effectiveness, BDO has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating BDO, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Audit Committee, from direct observation and enquiry of the Investment Manager and Administrator, is satisfied that BDO provides effective independent challenge in carrying out its responsibilities.

Following professional guidelines, the audit partner rotates after five years. The audit partner is in her third year of appointment. Following a discussion with the Investment Manager, the Audit Committee considers the main risks within the financial statements to be the valuation and ownership of quoted, unquoted and level 2 investments held by the Company.

In order to address this the Company has appointed an Investment Manager, Custodian and Depositary with clearly defined contracts and any breaches of these, or any law or regulation that the Company is required to comply with, are reported to the Board. The Board receives regular updates from the Investment Manager on the valuation of unquoted investments and assesses the information provided in establishing the valuations used within the net asset value. The Company also receives regular reporting on internal controls

Internal Controls

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following publication of the Financial Reporting Council's "Internal Control: Revised Guidance for Directors on the Combined Code" (the "FRC guidance") the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and is regularly reviewed by the Board and accords with the FRC Guidance.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks

affecting the Company and policies by which these risks are managed. The significant risks faced by the Company are as follows:

- financial;
- operational; and
- compliance.

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

- Maitland Administration Services (Scotland) Limited ("Maitland") as Company Secretary and Administrator together with the Investment Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities 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;
- as a matter of course the Investment Manager's compliance department continually reviews the Investment Manager's operations and reports to the Board on a quarterly basis;
- written agreements are in place which specifically define the roles and responsibilities of the Investment Manager, Administrator and other third party service providers;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Investment Manager and the Administrator, has decided to place reliance on the Investment Manager's and the Administrator's systems and their internal audit procedures.

The Audit Committee has established a set of ongoing processes designed to meet the particular needs of the Company in managing the risks to which it is exposed. The process is one whereby the Investment Manager has identified the key risks to which the Company is exposed, and recorded them on a risk matrix together with the controls employed to mitigate these risks. A residual risk rating has been applied to each risk. The Audit Committee is responsible for reviewing the risk matrix and associated controls before recommending to the Board for consideration and approval, challenging the Investment Manager's assumptions to ensure a robust internal risk management process.

The Audit Committee formally reviewed the updated risk matrix during the year and will continue to do so on an annual basis. By their nature, these procedures provide a reasonable, but not absolute, assurance against material misstatement or loss. Regular reports will be provided to the Audit Committee highlighting material changes to risk ratings.

During the year, the Audit Committee also discussed and reviewed the internal controls frameworks in place at the Investment Manager and the Administrator. Discussions focused on three lines of defence: assurances at operational level; internal oversight; and independent objective assurance. The Audit Committee concluded that these frameworks were appropriate for the identification, assessment, management and monitoring of financial and regulatory risks, with particular regard to the protection of the interests of the Company's shareholders.

At its September 2020 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 30 June 2020 by considering documentation from the Investment Manager and the Administrator, including the need for internal audit and compliance functions and taking account of events since 30 June 2020. The results of the assessment were then reported to the Board at the following Board meeting.

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 mis-statement and loss.

Helen Green
Chair of the Audit Committee

8 September 2020

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 30 June 2020 which has been prepared in accordance with sections 420-422 of the Companies Act 2006.

Statement by the Chairman

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.

An ordinary resolution for the approval of this Report will be put to the members at the forthcoming Annual General Meeting.

Remuneration Committee

The full Board acts as the Remuneration Committee whose Chairman is the Chairman of the Company. The determination of the Directors' fees is a matter dealt with by the whole Board.

Directors' Remuneration Policy

The Board's policy is that the remuneration of Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other relevant investment trusts 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.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £175,000 per annum in aggregate and the approval of shareholders in a general meeting would be required to further increase this limit. At the prevailing level of Directors' fees the aggregate amount paid to the Company's Directors during the year to 30 June 2020 was £125,000.

Non-executive Directors are not eligible for bonuses, pension benefits, share options, long¬term incentive schemes or other benefits. It is the Board's policy that Directors do not have service contracts, but new Directors are provided with a letter of appointment which are kept on the Company Secretary's system.

The terms of Directors' appointments and the Company's Articles of Association provide that Directors should retire and be subject to election at the first Annual General Meeting after their appointment. Directors are obliged to retire by rotation, and to offer themselves for re-election by shareholders at least every three years after that. Any Director who has served on the Board for more than nine years will offer himself for re-election annually. However, the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. There is no notice period and no provision for compensation upon early termination of appointment.

Director	Date of Initial Appointment	Due date for Re-election
R Ö Prickett	30 November 2006	AGM 2020
C Cable	1 October 2017	AGM 2020
C M Casey	1 October 2017	AGM 2020
A G Evans	26 September 2014	AGM 2020
H F Green	1 September 2015	AGM 2020

Annual Report on Directors' Remuneration

Directors' Emoluments (audited)

The Directors who served in the year received the following fees:

	2020 £'000	2019 £'000
R Ö Prickett[2]	30	27
C Cable	23	20
C M Casey	23	20
H F Green[1,3]	26	22
A G Evans	23	20
Totals	125	109

The amounts paid by the Company to the Directors were for services as non-executive Directors excluding expenses.

1 Chairman of the Audit Committee.
2 Fees paid to European Sales Company Ltd.
3 Fees paid to Saffery Champness Management International Limited.

For the year ended 30 June 2020, the annual remuneration payable was as follows:

	£
Chairman	30,000
Chair of the Audit Committee	26,000
Director	23,000

The Committee has agreed that no changes will be made to the Board's remuneration with effect from 1 July 2020.

Relative Importance of Spend on Pay

The table below sets out, in respect of the financial year ended 30 June 2020 and the preceding financial year:

a) the remuneration paid to the Directors; and

b) the distribution made to shareholders by way of dividend.

	Year ended 30 June 2020	Year ended 30 June 2019	% Change
Total remuneration	£125,000	£109,000	14.7
Dividend	£3,746,000	£3,746,000	–

Directors' Interests (audited)

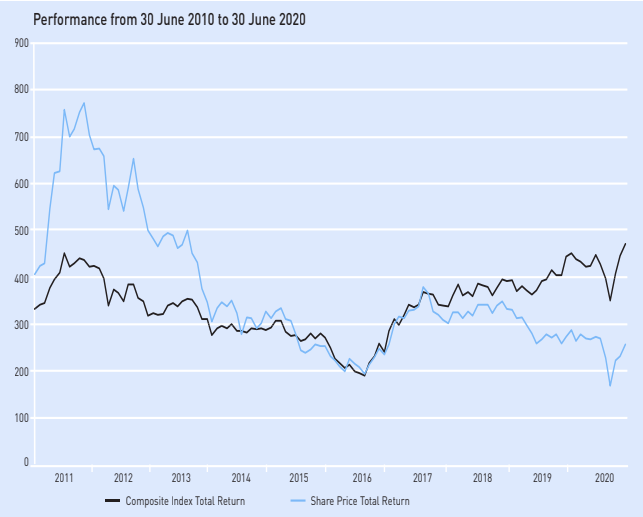
Biographies of the Directors are shown on pages 16 and 17. The interests (all of which were beneficial) of the Directors who held office at the year-end in the shares of the Company were as follows: All of the Directors holdings are beneficial. No changes to these holdings have been reported up to the date of this report.

	Ordinary shares 2020	Ordinary shares 2019
R Ö Prickett	90,000	65,000
C Cable	–	–
C M Casey	6,500	6,500
A G Evans	10,540	10,540
H F Green	5,500	5,500

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the Directors' Report on page 19.

The following graph compares for the ten years to 30 June 2020 the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which a composite index, weighted as to eighty percent EMIX Global Mining Index (sterling adjusted) and twenty percent Credit Suisse High Yield Index (sterling adjusted), is calculated. This composite index was chosen as it represents a comparable mix of mining and resource equities and fixed interest securities.



Source: Maitland Administration Services (Scotland) Limited.

Voting at Annual General Meeting

In accordance with the Companies Act 2006, the Company is required to seek shareholder approval of its remuneration policy on a triennial basis. An ordinary resolution for the approval of the remuneration policy was approved by shareholders at the AGM held on 4 December 2018, with 99.48% of votes cast (including votes cast at the Chairman's discretion) in favour and 0.39% votes cast against. It is the Board's intention that the remuneration policy will continue to apply for the next financial year to 30 June 2021.

The Directors' Remuneration report was last approved by shareholders at the AGM held on 5 December 2019 with 99.41% of the votes cast (including votes cast at the Chairman's discretion) in favour and 0.59% votes cast against.

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

Approval

The Directors' Remuneration Report on pages 28 and 29 was approved by the Board of Directors and signed on its behalf on 8 September 2020.

Richard Prickett
Chairman

Independent Auditor's Report to the Members of CQS Natural Resources Growth and Income PLC

Opinion

We have audited the financial statements of CQS Natural Resources Growth and Income plc (the 'Company') for the year ended 30 June 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the Directors' confirmation in the annual report that they have carried out a robust assessment of the emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' 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;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their 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 their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified, 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. This matter was 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 this matter.

Key audit matter	How We Addressed the Key audit matter in the Audit
Valuation of Investments Valuation and existence of Investments (note 1 and note 9 of the financial statements) We consider the valuation and existence of investments (note 9) to be the most significant audit area as investments represent the most significant balance in the financial statements and underpin the principal activity of the entity. The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Alternative Investment Fund Manager (AIFM) and Investment Manager, who is remunerated based on the net asset value of the Company. Furthermore, there is an element of subjectivity in the valuation of level 2 and level 3 investments.	We responded to this matter by testing the valuation and, existence of a sample of the portfolio of investments. We performed the following procedures: In respect of 100% of the quoted investment valuations (£61,238k/ 80%) we have: • Checked the year end valuation to externally quoted prices from independent sources • Considered contra indicators of value which suggest that the year-end price is not the most appropriate indication of fair value such as potential liquidity issues • Confirmed the investment holdings to independently received third party confirmation from the custodian. In respect of 100% of the fixed income and convertible investment valuations (£13,180/17%) we have: • Checked the year end valuation to externally quoted prices from independent sources • Considered contra indicators of value which suggest that the year-end price is not the most appropriate indication of fair value such as potential liquidity issues • Considered the impacts on the valuation of any non-performance of the investment and/or defaults on interest payments • Confirmed the investment holdings to independently received third party confirmation from the custodian In respect of 100% of the derivative investments (£361k/ <1%) we have: • Considered the appropriateness of the valuation methodology against the IPEV guidelines and the appropriateness of the judgemental inputs into the model applied by the investment manager • Re-performed the calculation of the investment valuations • Where appropriate, performed sensitivity analysis where reasonable alternative assumptions could exist. • Confirmed the investment holdings to independently received third party confirmation from the custodian In respect of a sample of unquoted investments (£2,137k/3%) we have: • Considered the rationale for investments valued at nil and performed independent research to identify any indications of undervaluation • Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines • Re-performed the calculation of the investment valuations • Challenged the investment manager on the significant assumptions made • Where appropriate, performed sensitivity analysis where alternative reasonable assumptions could exist • Confirmed the investment holdings to independently received third party confirmation from the custodian. We also considered the completeness and accuracy of investment related disclosures. **Key observations:** We found that management's valuation of the portfolio of investments, in particular the assumptions used, were supported by the audit evidence obtained.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. **We consider materiality to be the magnitude by which misstatements, individually or in aggregate, including omissions, could reasonably influence the economic decisions of users that are made on the basis of the Financial Statements**. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. **Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole**.

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

Materiality Measure	Purpose	Key considerations and benchmarks	2020 Quantum (£)
Financial Statement Materiality (1% of net assets) (2019: 1% of the value of the investment portfolio)	Determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.	• A principal consideration for members of the Company in assessing the financial performance given that the principal activity of the Company is that of an Investment Trust. • The nature and disposition of the investment portfolio.	£650,000 (2019: £870,000)
Performance Materiality (75% of Financial Statement Materiality) (2018: 75%)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	• Risk and control environment.	£487,000 (2019: £652,000)

An overview of the scope of our audit

activities, the key functions undertaken by the Board and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement and designed audit procedures in response to this assessment, taking account of materiality.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Companies Act 2006, sections 1158 and 1159 of the Corporation Tax Act, the UK Listing rules, the DTR rules, FRS 102 accounting standards, the Statement of Recommended Practice (SORP) issued by the Association of Investment Companies, VAT and other taxes.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We considered compliance with these frameworks through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary. Our procedures included enquiry with the Investment Manager, Administrator and the board, review of the reporting to the Directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable – the statement given by the Directors that they consider 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, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 23 May 2017 to audit the financial statements for the year ending 30 June 2017 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ending 30 June 2017 to 30 June 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Vanessa-Jayne Bradley
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

8 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income

	Notes	Year ended 30 June 2020 Revenue £'000	Capital £'000	Total £'000	Year ended 30 June 2019 Revenue £'000	Capital £'000	Total £'000
Losses on investments	9	–	(9,524)	(9,524)	–	(13,967)	(13,967)
Exchange (losses)/gains		–	(9)	(9)	–	176	176
Income	2	3,070	–	3,070	2,839	–	2,839
Investment management fee	3	(206)	(617)	(823)	(234)	(702)	(936)
Other expenses	4	(463)	–	(463)	(578)	–	(578)
Net return before finance costs and taxation		**2,401**	**(10,150)**	**(7,749)**	**2,027**	**(14,493)**	**(12,466)**
Interest payable and similar charges	5	(62)	(184)	(246)	(123)	(588)	(711)
Net return on ordinary activities before taxation		**2,339**	**(10,334)**	**(7,995)**	**1,904**	**(15,081)**	**(13,177)**
Tax on ordinary activities	6	(101)	70	(31)	(117)	106	(11)
Net return attributable to equity shareholders		**2,238**	**(10,264)**	**(8,026)**	**1,787**	**(14,975)**	**(13,188)**
Return per ordinary share	8	**3.35p**	**(15.35)p**	**(12.00)p**	**2.67p**	**(22.39)p**	**(19.72)p**

The 'total' column of this statement represents the Company's profit and loss account, prepared in accordance with UK GAAP.
All revenue and capital items in this statement derive from continuing operations. All of the profit/(loss) for the year is attributable to the owners of the Company.
No operations were acquired or discontinued in the year.
A statement of other comprehensive income is not presented as all gains and losses of the Company have been reflected in the above Statement of Comprehensive Income.
The accompanying notes are an integral part of the financial statements.

Balance Sheet

	Notes	As at 30 June 2020 £'000	As at 30 June 2019 £'000
Fixed assets			
Investments	9	76,916	87,547
Current assets			
Debtors	10	402	414
Cash and cash equivalent		1,027	1,466
		1,429	**1,880**
Creditors: amounts falling due within one year	11	(368)	(678)
Loan: amount falling due within one year	12	(12,000)	–
Net current liabilities/assets		**(12,368)**	**1,202**
Loan: amount falling due after more than one year	12	–	(11,000)
Net assets		**65,977**	**77,749**
Capital and reserves			
Called-up share capital	14	16,722	16,722
Special distributable reserve		30,386	30,386
Share premium		4,851	4,851
Capital reserve		13,861	24,125
Revenue reserve		157	1,665
Equity shareholders' funds		**65,977**	**77,749**
Net asset value per share	15	**98.64p**	**116.24p**

Company number: 02978531

The financial statements on pages 34 to 51 were approved by the Board of Directors and authorised for issue on 8 September 2020 and were signed on its behalf by:

Richard Prickett
Chairman

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

Statement of Changes in Equity

for the year to 30 June 2020

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2019	16,722	4,851	30,386	24,125	1,665	77,749
Return on ordinary activities after taxation	–	–	–	(10,264)	2,238	(8,026)
Dividends paid (see note 7)	–	–	–	–	(3,746)	(3,746)
Balance at 30 June 2020	16,722	4,851	30,386	13,861	157	65,977

For the year ended 30 June 2019

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2018	16,722	4,850	30,386	39,100	4,159	95,217
Return on ordinary activities after taxation	–	–	–	(14,975)	1,787	(13,188)
Dividends paid (see note 7)	–	–	–	–	(4,281)	(4,281)
Issue of shares	–	1	–	–	–	1
Balance at 30 June 2019	16,722	4,851	30,386	24,125	1,665	77,749

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.

Cash Flow Statement

	Notes	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Operating activities			
Investment income received		3,112	3,056
Deposit interest received		2	19
Investment management fees paid		(781)	(957)
Other payments		(484)	(516)
Net cash inflow from operating activities	16	1,849	1,602
Investing activities			
Purchases of investments		(18,616)	(24,368)
Disposals of investments		19,329	44,918
Net cash inflow from investing activities		713	20,550
Financing activities			
Equity dividends paid		(3,746)	(4,281)
Repayment of 3.5% Convertible Unsecured Loan Stock 2019		–	(606)
Loan funding		1,000	11,000
Loan interest		(246)	(187)
Convertible Unsecured Loan Stock repaid		–	(34,510)
Net cash outflow from financing activities		(2,992)	(28,584)
Decrease in net cash		**(430)**	**(6,432)**
Reconciliation of net cash flow to movement in net cash			
Decrease in cash in the year		(430)	(6,432)
Exchange (losses)/gains		(9)	176
Movement in net cash in the year		**(439)**	**(6,256)**
Opening net cash at 1 July		1,466	7,722
Closing net cash at 30 June		**1,027**	**1,466**

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

Notes to the Financial Statements

for the year to 30 June 2020

1 Accounting Policies

CQS Natural Resources Growth and Income PLC is a company limited by shares, it was incorporated in accordance with the Laws of England and Wales, details of the registered office are included on page 58.

A summary of the principal accounting policies adopted is set out below.

(a) Basis of Accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and the Statement of Recommended Practice (SORP) for "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies dated October 2019. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted. These financial statements have been prepared in line with the Board's analysis of the impact of Covid-19 on the Company detailed on page 12.

The revised SORP issued in October 2019 is applicable for accounting periods beginning on or after 1 January 2019. As a result, the presentations of gains and losses arising from disposals of investments and gains and losses on revaluation of investments have now been combined, as shown in note 9. The result of this change has no impact on the net asset value or total return for both the current year and prior year. No other accounting policies or disclosures have changed as a result of the revised SORP.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is included in the Directors' Report on page 19.

Presentation of the Statement of Comprehensive Income

In order to reflect better the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue return is the measure the Directors believe to be appropriate in assessing the Company's compliance with certain requirements set out in Chapter 4 of Part 24 of the Corporation Tax Act 2010 (previously Section 842 of the Income and Corporation Taxes Act 1988).

The notes and financial statements are presented in pounds sterling and are rounded to the nearest thousand except where otherwise indicated.

(b) Financial assets

All financial assets are initially recognised at fair value net of transactions costs incurred. All financial assets are recorded at the date on which the Company became party to the contractual requirements of the financial asset. Subsequently, they are measured at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(c) Financial liabilities

All financial liabilities are initially recognised at fair value net of transaction costs incurred. All financial liabilities are recorded on the date on which the Company becomes party to the contractual requirements of the financial liability.

Non-derivative financial liabilities such as loan equivalents, trade and other payables with fixed and determinable payments and not quoted in an active market, are initially recognised at fair value (which is equivalent to cost) plus transaction costs that are directly attributable to the acquisition and are subsequently carried at amortised cost.

Bank loans are recognised at cost, being the fair value of the consideration received. Any issue costs will be charged in the year in which they are incurred. The amounts falling due for repayment within one year are included under "Loan: amount falling due within one year" in the Statement of Financial Position and amounts falling due after one year are included under "Loan: amount falling due after more than one year" in the Statement of Financial Position.

(d) Fixed asset investments

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 financial assets are managed and their performance evaluated on a fair value basis in accordance with the Company's investment strategy and this is also the basis on which information about investments is provided internally to the Board.

Purchases or sales of financial assets are recognised/derecognised on the date the Company trades the investments. On initial recognition investments are classified as fair value through profit or loss with any resultant gain or loss, including any gain or loss arising from a change in exchange rates, recognised in the Statement of Comprehensive Income. For listed securities this is either the bid price or last traded price, depending on the convention of the exchange on which the investment is listed, adjusted for accrued income where it is reflected in the market price.

Financial assets which are not listed or where trading in the securities of an investee company is suspended are valued at the Board's estimate of fair value in accordance with International Private Equity and Venture Capital (IPEV) valuation guidance. Unquoted financial assets are valued by the Directors on the basis of all the information available to them at the time of valuation. This includes a review of the financial and trading information of the Company, covenant compliance, ability to pay the interest due and cash held. For convertible bonds this also includes consideration of their discounted cash flows and underlying equity value based on information provided by the Investment Manager.

(e) Income

Dividends receivable on equity 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.

Fixed interest returns on non-equity shares are recognised on a time apportioned basis so as, if material, to reflect the effective interest rate on those instruments. Any difference between acquisition cost and maturity value is recognised as revenue over the life of the security using the effective yield basis of calculating amortisation. Other returns on non-equity shares are recognised when the right to the return is established.

The fixed return on a debt security is recognised on a time apportioned basis so as to reflect the effective interest rate on each such security.
Income from deposit interest and underwriting commission is recognised on an accruals basis.

(f) Taxation

The charge for taxation is based on net revenue for the year. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Because the Company intends each year to qualify as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010 (previously S842 of the Income and Corporation Taxes Act 1988), no provision is made for deferred taxation in respect of the capital gains that have been realised, or are expected in the future to be realised, on the sale of fixed asset investments.

(g) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the Statement of Comprehensive Income as a revenue item except the following which are charged to capital:

- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
- the Company charges 75 per cent of investment management fees 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. This split has been reassessed annually and remains appropriate. For further details refer to note 3.

(h) Dividend Payments

Dividends paid by the Company on its shares are recognised in the financial statements in the period in which they are paid and are shown in the Statement of Changes in Equity.

(i) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction. Overseas assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Instruments held at fair value are translated at the rate prevailing at the time the fair value is determined. Any gain or loss arising from a change in exchange rates subsequent to the date of a transaction and before the settlement date is included as an exchange gain or loss in capital reserves. The functional currency of the Company, being its statutory reporting currency, is sterling.

(j) Finance costs

Finance costs are accounted for on an accruals basis. Finance costs of debt, insofar as they relate to the financing of the Company's investments or to financing activities aimed at maintaining or enhancing the value of the Company's investments, are allocated between revenue and capital in accordance with the Board's expected long-term split of returns, in the form of income and capital gains respectively, from the Company's investment portfolio. For further details refer to note 5.

(k) 3.5% Convertible Unsecured Loan Stock 2019

3.5% Convertible Unsecured Loan Stock 2019 issued by the Company is regarded as a compound instrument, comprising of a liability component and an equity component. At the date of issue, the fair value of the liability component was estimated by assuming that an equivalent non-convertible obligation of the Company would have a coupon rate of 5.75%. The fair value of the equity component, representing the option to convert liability into equity, is derived from the difference between the issue proceeds of the CULS and the fair value assigned to the liability. The liability component is subsequently measured at amortised cost using the effective cost interest rate.

Direct expenses associated with the CULS issue are allocated to the liability and equity components in proportion to the split of the proceeds of the issue. Expenses allocated to the liability component are amortised over the life of the instrument.

The interest expense on the CULS is calculated according to the effective interest rate method by applying the assumed rate of 5.75% at initial recognition to the liability component of the instrument. The difference between this amount and the actual interest paid is added to the carrying amount of the CULS.

While this additional 'notional' interest is charged to the capital account it is not considered to be a true loss and so this is transferred against the CULS equity as a reserve movement.

The CULS were repaid on 28 September 2018.

(l) Reserves

(a) Share capital – represents the nominal value of authorised and allocated, called-up and fully paid shares issued. The reserve is non-distributable.

(b) Share premium – the surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. The reserve is non-distributable.

(c) Capital reserve – The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- realised and unrealised exchange differences on transactions of a capital nature;
- capitalised expenses and finance costs, together with the related taxation effect; and
- increases and decreases in the valuation of investments held. The reserve is non-distributable.

(d) Special reserve – created from the Court cancellation of the share premium account which had arisen from premiums paid at launch. Available as distributable profits.

(e) Revenue reserve – the net profit/(loss) arising in the revenue column of the Statement of Comprehensive Income is added to or deducted from this reserve. Available for paying dividends.

(m) Single Segmental Reporting

The company is engaged in a Single Segment of business, being investment business, consequently no business segmental analysis is provided.

(n) 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 above 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 only significant accounting estimate and judgement is the valuation of the unquoted and level 2 investments which is described in note 1(d) above.

The main judgements and estimates used in calculating the price of the Warrants are:

Firstly, the derivative valuation model used to value the warrants. The Investment Manager has selected the Black Scholes Model to value the unlisted warrants as this is a widely accepted warrant valuation model to use.

Secondly, the inputs into the Black-Scholes model as outlined below.

For any unlisted securities the time to maturity to estimate the historic volatility required in the calculations underpinning the Black Scholes Pricing Model is used. The volatility of the underlying equity is obtained, and if this is not available or is not reflective, due to a lack of liquidity etc., then we will look to use the volatility of the parent company or an appropriate proxy.

For any securities with a maturity greater than 1 year the 90 day Volatility is used and for any securities with a maturity less than 1 year the 60 days Volatility is used. These have been deemed appropriate periods to use, as often using the time to expiry has captured market or firm events that have artificially inflated the volatility which has in turn inflated the valuation. If the period used still yields an unreflective level of volatility, then the volatility period used is overridden. When appropriate to extend the period the time to maturity is used, up to a maximum of 400 days, which is in line with Bloomberg's option and warrant valuation model assumptions.

In determining the risk free rate, the swap price discount curve is used for the relevant currency which is derived from data retrieved from Bloomberg.

The swap curve in the Warrant Currency is deemed an appropriate method for approximating the yield curve for the following reasons:

- There is sufficient liquidity and depth of pricing to provide reliable valuations for the Swap curves for the points and currencies that we currently require.
- Using Swaps allows for the same discount rate methodology to be used across the range of maturities of our Warrant portfolio, whereas using other instruments to construct a yield curve would typically be more limited across different tenors. This is relevant to our current portfolio as there is a wide range of time-to-maturities.
- Using Swaps allows for the same discount rate methodology to be used across different currencies, which is applicable to our current portfolio which contain Warrants listed and traded in a range of currencies.

2 Income

	2020 £'000	2019 £'000
Income from investments*		
UK dividend income	53	143
UK fixed interest	109	239
Preference share dividend income	285	579
Overseas dividend income	1,633	625
Overseas fixed interest	988	1,234
	3,068	2,820
Other income†		
Deposit interest	2	19
	2	19
Total income	3,070	2,839
Total income comprises:		
Dividends	1,971	1,347
Fixed interest securities	1,097	1,473
Deposit interest	2	–
	3,070	2,839

*All investment income arises on investments valued at fair value through Profit or Loss.

†Other income on financial assets not valued at fair value through Profit or Loss.

3 Investment Management Fee

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Investment management fee	**206**	**617**	**823**	234	702	936

The Company's Investment Manager is CQS which in turn has delegated this function to NCIM. The contract between the Company and CQS may be terminated by either party giving not less than six months' notice of termination.

The Company's annual management fee is 1.2 per cent on net assets up to £150m; 1.1 per cent on net assets above £150m and up to £200m; 1.0 per cent on net assets above £200m and up to £250m; and, 0.9 per cent on net assets above £250m.

The balance due to CQS for management fees at the year end was £114,877 (2019: £73,313).

Investment management fees have been allocated 75 per cent to capital and 25 per cent to revenue (2019: 75% capital, and 25% revenue).

4 Other Expenses (including irrecoverable VAT)

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Secretarial and administration fees	**78**	**–**	**78**	106	–	106
Directors' fees	**120**	**–**	**120**	105	–	105
Directors' NI	**5**	**–**	**5**	4	–	4
Auditor remuneration for statutory audit	**30**	**–**	**30**	24	–	24
Tax advisor remuneration for tax services	**10**	**–**	**10**	24	–	24
Directors' and Officers' liability insurance	**9**	**–**	**9**	11	–	11
Registrar fees	**13**	**–**	**13**	25	–	25
Custody fees	**36**	**–**	**36**	33	–	33
Depositary fees	**15**	**–**	**15**	21	–	21
Other	**147**	**–**	**147**	225	–	225
	463	**–**	**463**	578	–	578

The Company has an agreement with Maitland Administration Services (Scotland) Limited ("Maitland") for the provision of secretarial and administration services. During the year the total fees paid and payable were £78,182 (2019: £104,406). The balance due to Maitland for secretarial services at the year end was £19,981 (2019: £21,542).

No pension contributions were payable in respect of any of the Directors.

The Company does not have any employees.

5 Interest Payable and Similar Charges

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Interest on 3.5% Convertible Unsecured Loan Stock 2018	**–**	**–**	**–**	75	227	302
Interest on bank loan	**62**	**184**	**246**	47	140	187
Amortisation of issue expenses	**–**	**–**	**–**	–	221	221
Bank overdraft	**–**	**–**	**–**	1	–	1
	62	**184**	**246**	123	588	711

Interest payable on the CULS and bank loan has been allocated 75 per cent to capital and 25 per cent to revenue (2019: 75% capital, and 25% revenue).

6 Tax on Ordinary Activities

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Corporation tax	70	(70)	–	106	(106)	–
Overseas taxation	31	–	31	11	–	11
Total tax charge/(credit)	101	(70)	31	117	(106)	11

Reconciliation of Tax Charge

The tax assessed for the year is the current standard rate of corporation tax in the UK. A reconciliation of the total tax charge is set out below:

	2020 Total £'000	2019 Total £'000
Return on ordinary activities before taxation	(7,995)	(13,177)
Corporation tax at standard rate of 19.00% (2019: 19.00%)	(1,519)	(2,504)
Effects of:		
Non taxable income	(374)	(256)
Non taxable losses	1,810	2,654
Overseas withholding tax	31	11
Excess management expenses (deferred tax not recognised)	81	139
Non taxable exchange gains	2	(33)
Current year tax charge	31	11

Due to the Company's status as an Investment Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on capital gains and losses arising on the revaluation or disposal of investments.

At 30 June 2020 the Company had surplus management expenses of £8,144,000 (2019: £7,716,000) on which no deferred tax asset has been recognised.

7 Dividends

	2020 Revenue £'000	2019 Revenue £'000
Amounts recognised as distributions to equity holders in the year:		
– Fourth interim dividend for the year ended 30 June 2019 of 1.82p (2018 – 2.62p) per ordinary share	1,217	1,752
– First interim dividend for the year ended 30 June 2020 of 1.26p (2018 – 1.26p) per ordinary share	843	843
– Second interim dividend for the year ended 30 June 2020 of 1.26p (2019 – 1.26p) per ordinary share	843	843
– Third interim dividend for the year ended 30 June 2020 of 1.26p (2019 – 1.26p) per ordinary share	843	843
	3,746	4,281
Amounts relating to the year but not paid at the year end:		
– Fourth interim dividend for the year ended 30 June 2020 of 1.82p (2019 – 1.82p) per ordinary share	1,217	1,217

In accordance with FRS 102 the fourth interim dividend has not been included as a liability in these accounts and will be recognised in the period in which it is paid.

8 Return per Ordinary Share

Return per ordinary share attributable to shareholders reflects the overall performance of the Company in the year.

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Revenue return	2,238	1,787
Capital return	(10,264)	(14,975)
Total return	(8,026)	(13,188)
	Number	Number
Weighted average ordinary shares in issue	**66,888,509**	66,888,408
Revenue return per ordinary share (pence)	3.35	2.67
Capital return per ordinary share (pence)	(15.35)	(22.39)
Total return per ordinary share (pence)	(12.00)	(19.72)

For the years ended 30 June 2020 and 30 June 2019 there was no dilution to the revenue return per ordinary share. Additionally, for the year ended 30 June 2020 and 30 June 2019 there was no dilution to the capital return per ordinary share.

9 Investments

	2020 £'000	2019 £'000
Equity shares	**61,238**	64,347
Fixed income securities	**9,886**	15,583
Preference shares	**5,430**	6,257
Placings	**1**	902
Warrants	**361**	458
	76,916	87,547

Included above are unquoted investments of value £2,137,701 (2019: £2,664,186).

The Company does not intend to acquire securities that are unquoted or unlisted at the time of investment with the exception of securities which, at the time of acquisition, are intending to list on a stock exchange or securities which are convertible into quoted securities. However, the Company may continue to hold securities that cease to be quoted or listed if the Investment Manager considers this to be appropriate.

All investments are designated fair value through profit or loss at initial recognition, therefore all gains and losses arise on investments designated at fair value through profit or loss.

FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland 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; and
- 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.

If the market value of the Level 3 investments fell by 5 per cent, the impact on the profit or loss and the net asset value would have been negative £0.107 million (2019: negative £0.133 million). If the value of the Level 3 investments rose by the same amount, the effect would have been equal and opposite. 5% has been selected as this level of change is considered to be reasonable based on observations of current market conditions.

	Level 1 Listed in UK £'000	Level 1 Listed overseas £'000	Level 2* £'000	Level 3 £'000	2020 Total £'000	2019 Total £'000
Opening book cost	12,224	59,609	15,667	11,509	99,009	126,395
Opening fair value adjustment	(1,476)	(1,253)	112	(8,845)	(11,462)	(2,975)
Opening valuation	**10,748**	**58,356**	**15,779**	**2,664**	**87,547**	**123,420**
Purchases at cost	1,460	16,231	589	–	18,280	23,907
Conversions/transfers	–	(648)	–	648	–	–
Sales proceeds	(1,460)	(15,240)	(2,629)	–	(19,329)	(45,819)
Effective yield	–	–	(58)	–	(58)	13
Gains on investments	(2,810)	(2,483)	(3,057)	(1,174)	(9,524)	(13,974)
Closing valuation	**7,938**	**56,216**	**10,624**	**2,138**	**76,916**	**87,547**
Closing book cost	12,309	61,925	13,152	12,157	99,543	99,009
Closing fair value adjustment	(4,371)	(5,709)	(2,528)	(10,019)	(22,627)	(11,462)
Closing valuation	**7,938**	**56,216**	**10,624**	**2,138**	**76,916**	**87,547**

In line with the revised SORP issued in October 2019, the presentations of gains and losses arising from disposals of investments and gains and losses on revaluation of investments have now been combined. Please see Accounting Policies note 1(a) on page 38.

The company received £19,328,963 (2019: £45,818,410) from investments sold in the year. The book cost of these investments when they were purchased was £17,688,111 (2019: £50,404,760).

The fair value of Level 3 financial assets has been determined by reference to valuation techniques described in note 1(d) of these financial statements. Judgement has been exercised in each of these valuations in determining the most appropriate valuation methodology and inputs into the valuation models used

The Level 3 investments at the year end, along with the respective valuation methods utilised are as follows:

Agriculture Investment Group Corp Common, which has been valued to the July 2019 rights issue price of $0.5. The company has a 0.13% interest.

Goodbulk Ltd Common USD, which due to illiquidity, has been valued at a discount of 44% to the last traded price of NOK135. The company has a 0.61% interest.

Odyssey Energy Ltd Common NPV, which due to illiquidity, has been valued at a discount of 20% to the last price (cash) available before suspension of AUD 0.043. The company has a 9.49% interest.

All other level 3 securities have been price at nil, in the absence of any indicators of higher value. There are normal voting rights attached to all level 3 equity holdings which are directly proportionate to the % holding in the company. The respective interests in these holdings are detailed above.

*These securities are priced using evaluated prices from a third party vendor, together with a price comparison made to secondary and tertiary evaluated third party sources. Evaluated prices are in turn based on a variety of 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 equity investments and their higher inherent pricing risk. However, this does not mean that the fair values shown in the portfolio valuation are not achievable at point of sale.

The gains and losses included in the above table have all been recognised within gains/(losses) on investments in the Statement of Comprehensive Income on page 34. The Directors believe that the use of reasonable possible alternative assumptions for its Level 3 holdings would not result in a valuation significantly different from the valuation included in these financial statements.

Gains/(losses) on investments	2020 £'000	2019 £'000
Realised gains/(losses) on sale	**1,641**	(5,487)
Unrealised gains/(losses) on investments	**(11,165)**	(8,487)
Realised other	**–**	(6)
Effective yield	**–**	13
Gains on investments	**(9,524)**	(13,967)

During the year the Company incurred transaction costs on the purchases of £13,136 (2019: £8,930) and transaction costs on sales of £15,820 (2019: £17,598).

10 Debtors

	2020 £'000	2019 £'000
Prepayments and accrued income	**276**	404
Overseas tax recoverable	**115**	–
VAT recoverable	**11**	10
	402	414

11 Creditors: Amounts Falling Due Within One Year

	2020 £'000	2019 £'000
Amounts due to brokers	–	336
Corporation tax	163	163
Other creditors	205	179
	368	678

Included within other creditors is £114,878 (2019: £73,313) due to CQS in respect of management fees.

12 Bank Loan Facility

	2020 £'000	2019 £'000
Bank loan facility	12,000	11,000

The Company has a short term unsecured loan facility with Scotiabank Europe Plc ("Scotiabank"). The facility is due to expire on 20 September 2020 after which it is anticipated the Company will take out a new facility on comparable terms.

As at the year end the unsecured loan facility had a limit of £20 million of which £12 million was drawn down at the year end at an interest rate of 1.18439%.

During the year the covenants of the loan facility have been met. The following are the covenants for the facility:

- the borrower shall not permit the adjusted asset coverage to be less than 3.5 to 1
- the borrower shall not permit the net asset value to be less than £30,000,000
- the loan facility is rolled over every three months and can be cancelled at any time

As at 31 March 2020 there was a minor breach where the net asset value of the Company fell below the minimum covenanted. This was resolved with the bank. In light of this, on 6 May the minimum net asset value covenant was adjusted from £45,000,000 to £30,000,000.

Reconciliation of Bank loan facility (excluding interest)

	At 30 June 2019 £'000	Cash flow £'000	Currency movements £'000	At 30 June 2020 £'000
Bank facility	11,000	1,000	–	12,000

13 3.5% Convertible Unsecured Loan Stock 2019

	Nominal number of CULS £'000	Liability component £'000	Equity component £'000
Balance at 30 June 2019	–	–	–
Balance at 30 June 2020	–	–	–
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 year	(1)	(1)	–
3.5% CULS Repayment	(34,510)	(34,510)	–
Balance at 30 June 2019	–	–	–

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.

14 Share Capital

	2020 Shares	2020 £'000
Allotted, called up and fully-paid		
Total issued ordinary shares of 25p each as at 1 July 2019	66,888,509	16,722
Total issued ordinary shares of 25p each as at 30 June 2020	66,888,509	16,722

Capital management policies and procedures

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 net assets.

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 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 12.

15 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £66.0 million (2019: £77.7 million) and on 66,888,509 (2019: 66,888,509) ordinary shares, being the number of ordinary shares in issue at the year end.

16 Reconciliation of Net Return before Finance Costs and Taxation, to Net Cash Inflow from Operating Activities

	2020 £'000	2019 £'000
Net return before finance costs and taxation	**(7,749)**	(12,466)
Gains on investments	**9,524**	13,967
Effective yield	**58**	(13)
Withholding tax suffered	**(146)**	(11)
Decrease in accrued income	**132**	260
(Increase)/decrease in other debtors	**(5)**	7
Increase in other creditors	**26**	27
Other realised gains	**–**	7
Exchange losses/(gains)	**9**	(176)
Net cash inflow from operating activities	**1,849**	1,602

17 Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank facilities and debtors and creditors that arise directly from its operations. As an investment trust the Company holds a portfolio of financial assets in pursuit of its investment objective. The Company can make use of flexible borrowings for short term purposes to achieve improved performance in rising markets and to seek to enhance the returns to shareholders, when considered appropriate by the Investment Manager. The downside risk of borrowings may be reduced by raising the level of cash balances held.

Financial assets designated 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 available recent bid price. Where listed securities are not trading actively, multiple broker quotes are referencing to estimate fair value. For unlisted securities, this is determined by the Board using valuation techniques based on unobservable inputs. The fair value of other receivables cash and cash equivalent and other payables is represented by their carrying value in the Balance Sheet shown on page 35. 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 value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movements;

(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 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 re-payment of a loan or that the Company may not be able to quickly liquidate its investments.

The Company held the following categories of financial instruments as at 30 June 2020:

	2020 £'000	2019 £'000
Financial assets		
Investment portfolio	**76,916**	87,547
Cash at bank and on deposit	**1,027**	1,466
Accrued income	**266**	398
Other debtors	**136**	16
Financial liabilities		
Loan	**12,000**	11,000
Amounts due to brokers	**–**	336
Other creditors	**205**	179

Market price risk

Market 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 Board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long term investments. 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. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy.

Investment and portfolio performance are discussed in more detail in the Investment Manager's Review and further information on the investment portfolio is set out on pages 5 to 6.

If the investment portfolio valuation fell by 10 per cent at 30 June 2020, the impact on the profit or loss and the net asset value would have been negative £7.7 million (2019: negative £8.8 million). If the investment portfolio valuation rose by 10 per cent the impact would have been equal and opposite. The calculations are based on the portfolio valuation as at the respective balance sheet dates and are not representative of the year as a whole, and may not be reflective of future market conditions.

10% sensitivity has been selected as this level of change is considered to be reasonable based on observations of current market conditions.

Interest rate risk

Financial assets

Bond 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.

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

The Company's exposure to floating interest rates gives rise to cash flow interest rate risk and its exposure to fixed interest rates gives rise to fair value interest rate risk. Interest rate risk on fixed rate interest instruments is considered to be part of market price risk as disclosed above.

If the bank base rate had increased by 0.5 per cent, the impact on the profit or loss would have been a loss of £54,863 (2019: £48,000). If the bank base rate had decreased by 0.5 per cent, the impact on the profit or loss would have been equal and opposite. The calculations are based on borrowings as at the respective balance sheet dates and are not representative of the year as a whole.

Floating rate

When the Company retains cash balances they are held in floating rate deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency for each deposit.

Financial liabilities

The Company may utilise the bank facility to meet any liabilities due. The Company has borrowed in sterling at a variable rate based on the UK bank base rate. The Board sets borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

Fixed rate

The Company holds fixed interest investments and has fixed interest liabilities. The fixed interest liabilities are disclosed in note 12.

	2020 £'000	2020 Weighted average interest rate (%)*	2020 Weighted average period for which the rate is fixed (years)	2019 £'000	2019 Weighted average interest rate(%)*	2019 Weighted average period for which the rate is fixed (years)
Assets:						
Fixed income and convertible securities	**9,886**	**8.5**	**5.9**	15,583	8.0	5.9
Preference shares	**5,430**	**4.5**	**n/a**	6,257	9.6	n/a

* The "weighted average interest rate" is based on the current yield of each asset, weighted by their market value.

Foreign currency risk

The Company invests in overseas securities and may hold foreign currency cash balances which give rise to currency risks. The Company does not hedge its currency exposure and as a result the movement of exchange rates between pounds sterling and the other currencies in which the Company's investments are denominated may have a material effect, unfavourable or favourable, on the returns otherwise experienced on the investments made by the Company. Although the Investment Manager may seek to manage all or part of the Company's foreign exchange exposure, there is no assurance that this can be performed effectively.
Foreign currency exposure at 30 June was as follows:

30 June 2020	Investments £'000	Cash £'000	Net current assets £'000	Total £'000	Sensitivity Impact +5% £'000	Sensitivity Impact -5% £'000
Canadian Dollar	31,002	4	–	31,006	1,550	(1,550)
US Dollar	11,675	33	242	11,950	598	(598)
Australian Dollar	17,396	1	–	17,397	870	(870)
Norwegian Krone	4,788	1	–	4,789	239	(239)
European Euro	2,912	20	92	3,024	151	(151)
Hong Kong Dollar	–	–	–	–	–	–
Swiss Franc	–	–	–	–	–	–
Brazilian Real	–	15	–	15	1	(1)
	67,773	74	334	68,181	3,409	(3,409)

30 June 2019	Investments £'000	Cash £'000	Net current assets £'000	Total £'000	Sensitivity Impact +5% £'000	Sensitivity Impact -5% £'000
Canadian Dollar	33,345	1	(333)	33,013	1,650	(1,650)
US Dollar	17,487	13	231	17,731	886	(886)
Australian Dollar	16,607	52	–	16,659	833	(833)
Norwegian Krone	5,537	–	–	5,537	277	(277)
European Euro	1,650	5	–	1,655	83	(83)
Hong Kong Dollar	–	–	–	–	–	–
Swiss Franc	–	–	–	–	–	–
Brazilian Real	–	14	-	14	1	(1)
	74,626	85	(102)	74,609	3,730	(3,730)

If the value of the currencies had strengthened against the pound in the portfolio by 5 per cent, the impact on the profit or loss and the net asset value would have been negative £3.4 million (2019: negative £3.7 million). If the value of sterling had strengthened by the same amount the effect would have been equal and opposite. The calculations are based on the portfolio valuation, cash balances and net current assets/(liabilities) as at the respective balance sheet dates and are not representative of the year as a whole, and may not be reflective of future market conditions.

5% sensitivity has been selected as this level of change is considered to be reasonable based on observations of current market conditions.

The Investment Manager does not intend to hedge the Company's foreign currency exposure at the present time.

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 represent the maximum credit risk exposure at the balance sheet date.

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

	2020 £'000	2019 £'000
Fixed interest investments	**9,886**	15,583
Cash and cash equivalents	**1,027**	1,466
Balances due from brokers	**–**	–
Interest, dividends and other receivables	**402**	414
	11,315	17,463

Credit risk on fixed interest investments is considered to be part of market price risk. As at 30 June 2020 and as at 7 September 2020 there were no debtors that were past due.

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 high credit quality of the brokers used. The Board monitors the quality of service provided by the brokers used to further mitigate this risk.

The cash held by the Company and all the assets of the Company which are traded on a recognised exchange are held by HSBC Bank, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports. Should the credit quality or the financial position of HSBC Bank deteriorate significantly the Investment Manager will move the cash holdings to another bank.

There were no significant concentrations of credit risk to counterparties as at 30 June 2020 and as at 30 June 2019. No individual investment exceeded 9.6 per cent of net assets as at 30 June 2020 (2019: 16.4 per cent).

As at 30 June 2020, for equity investments representing >1% of the total investments, the Company held 3 per cent or more of issued share capital of the following companies:

	Value per CQS £	Percentage held
REA Holdings 9% 31/12/49	2,882	6.84%
Ascendant Resources	895	15.1%
Talon Metals	1,899	3.99%

Liquidity risk

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.

The Company maintains sufficient cash and readily realisable securities to pay accounts payable and accrued expenses.

The contractual maturities of the financial liabilities at each Balance Sheet date, based on the earliest date on which payment can be required, were as follows:

30 June 2020	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Current liabilities	205	–	163	368
Loan	12,000	–	–	12,000
	12,205	–	163	12,368

30 June 2019	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Current liabilities	515	–	163	678
Loan	–	–	(11,000)	(11,000)
	515	–	(10,837)	(10,322)

18 Related Party Transactions

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

Details of the fee arrangement with the Investment Manager is included within the Directors' Report under the heading Management and Management Fees and is disclosed in note 3.

There are no other transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 28 and 29, and as set out in the note 4 to the accounts. The beneficial interests of the Directors in the ordinary shares of the Company are disclosed on page 29.

The balance due to Directors for fees at the year end was £14,349 (2019: £12,791).

19 Post Balance Sheet Events

With effect from 15 September 2020, BNP Paribas Securities Services ("BNP") will replace Maitland Administration Services (Scotland) Limited as Company Secretary and Administrator. BNP will also replace HSBC Bank plc as the Company's Depositary, Custodian and Banker from the same date.

Glossary of Terms and Definitions

Gearing	Total assets (as below) less all cash (including UK Treasury Stock) divided by shareholders' funds.
Asset Cover	The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.
Discount/Premium	The amount by which the market price per share of an investment trust is lower or higher than the net asset value per share. The discount or premium is normally expressed as a percentage of the net asset value per share.
Dividend Cover	Earnings per share (per the revenue column) divided by dividends per share expressed as a ratio.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
Net Asset Value or NAV	The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. To calculate the net asset value per Ordinary share the net asset value is divided by the number of shares in issue.
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.
Price/Earnings Ratio	The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.
Prior Charges	The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.
Redemption Yield	The measure of the annualised total return on the current price of a security up to the date of its repayment. The calculation is based on aggregated income and capital returns, no account being taken of taxation.
Total Assets	Total assets less current liabilities (excluding prior charges as defined above).
Total Return	Total return involves reinvesting the net dividend in the month that the share price goes xd. The NAV total return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, eg quarter end, half year or year end date.

Notice of Annual General Meeting

Notice is hereby given that the 25th Annual General Meeting of CQS Natural Resources Growth and Income PLC will be held at One Fleet Place, London EC4M 7WS on 9 December 2020 at 2.00pm to consider the following resolutions.

Please refer to Note 2 of this Notice of Annual General Meeting for further information regarding potential arrangements for the meeting in light of the current Covid-19 pandemic.

Ordinary Business

As ordinary business, to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the Directors' report and financial statements for the year ended 30 June 2020, together with the auditor's report thereon.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2020.
3. To approve the Company's Dividend Policy.
4. To re-elect Mr R Ö Prickett, who retires annually, as a Director.
5. To re-elect Mrs C Cable, who retires annually, as a Director.
6. To re-elect Mr C M Casey, who retires annually, as a Director.
7. To re-elect Mr A G Evans, who retires annually, as a Director.
8. To re-elect Mrs H F Green, who retires annually, as a Director.
9. To re-appoint BDO LLP as Independent Auditor of the Company.
10. To authorise the Directors to determine their remuneration.

Special Business

As special business, to consider and if thought fit, pass the following resolutions, which will be proposed as Ordinary Resolutions:

11. That the Company continues as an investment trust pursuant to the undertaking given by the Board in 2003.
12. That, in substitution for any existing authority, but without prejudice to the exercise of any such authorisation prior to the date of this resolution, the Directors of the Company be and they are hereby generally and unconditionally authorised, in accordance with Section 551 of the Companies Act 2006 ("the Act"), to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (together being "relevant securities"), up to an aggregate nominal amount of £1,672,000, such authorisation to expire at the conclusion of the next annual general meeting of the Company to be held in 2021, unless previously revoked, varied or renewed by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authorisation, make an offer or enter into an agreement which would or might require relevant securities to be allotted or granted after the expiry of such authority and the Directors of the Company may allot or grant relevant securities in pursuance of such an offer or agreement as if such authorisation had not expired.

As special business, to consider and if thought fit, pass the following resolutions which will be proposed as Special Resolutions:

13. That, subject to the passing of resolution 12 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date of this resolution, the Directors of the Company be and they are hereby empowered, in accordance with Sections 570 and 573 of the Companies Act 2006 (the 'Act'), to allot equity securities (as defined in Section 560 of the Act) either pursuant to the authorisation under Section 551 of the Act conferred on the Directors of the Company by such resolution numbered 12, or by way of a sale of treasury shares, in each case for cash, as if Section 561(1) of the Act did not apply to any such allotment:

    (i) other than pursuant to sub-paragraph (ii) below, up to an aggregate nominal amount of £836,100 (representing approximately 5 per cent of the present issued share capital of the Company); or

    (ii) in connection with an offer of equity securities open for acceptance for a period fixed by the Directors of the Company to the holders of ordinary shares in the share capital of the Company on a fixed record date in proportion (or as nearly as practicable) to their respective holdings of ordinary shares (but subject to such exclusions or other arrangements as the Directors of the Company may consider necessary or expedient to deal with any legal problems under or resulting from the application or apparent application of the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in connection with fractional entitlements or otherwise howsoever);

    such power to expire at the conclusion of the next annual general meeting of the Company to be held in 2021 unless previously revoked, varied or renewed by the Company in general meeting, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors of the Company may allot equity securities in pursuance of such an offer or agreement as if such power had not expired.

14. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date of this resolution, the Company be and is hereby authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the

meaning of Section 693 of the Act) of ordinary shares of 25p each in the capital of the Company and to cancel or hold in treasury such shares provided that:

(i) the maximum number of ordinary shares hereby authorised to be purchased shall be 14.99 per cent of the issued share capital of the Company as at the date of the passing of this resolution;

(ii) the minimum price which may be paid for an ordinary share is 25p;

(iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than the higher of (i) 5 per cent above the average of the middle market quotations for an ordinary share on the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which any such purchase is made and (ii) the higher of the last independent trade and the highest current bid on the London Stock Exchange;

(iv) the authority hereby conferred shall expire on 31 December 2021 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2021 unless such authority is renewed, varied or revoked by the Company in general meeting prior to such time; and

(v) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

15. That, a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

Maitland Administration Services (Scotland) Limited
Secretary
20 Forth Street
Edinburgh EH1 3LH

8 September 2020

Notes

1. Information about this meeting is available from the Investment Manager's website; www.ncim.co.uk

2. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote in his stead. Where more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to a different Share or Shares. A proxy need not be a member of the Company. It is hoped that by the date of the AGM restrictions due to Covid-19 will have eased. However, should this not be the case the AGM may have to be held as a closed meeting. In this eventuality shareholders, their proxies and corporate representatives will not be admitted to the meeting and it is recommended that shareholders exercise their votes by means of registering them with the Company's registrar ahead of the meeting, online or by completing paper proxy forms, and appoint the Chairman of the meeting as their proxy.

3. A form of proxy is enclosed for use at the above meeting. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person. To be effective, the form of proxy, duly executed, must be lodged at the address shown on the form of proxy not later than 48 hours before the time of the meeting.

4. The right to vote at the meeting is determined by reference to the Company's register of Members as at 6.30 pm on 7 December 2020. Changes to entries on the register after that time should be disregarded in determining the rights of any member to attend and vote at the meeting.

5. As at 9.00 am on 7 September 2020, the Company's issued share capital comprised 66,888,509 ordinary shares of 25 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company, and therefore, the total number of voting rights in the Company as at 9.00 am on 7 September 2020 is 66,888,509.

6. As a member, you have the right to put questions at the meeting relating to the business being dealt with at the meeting.

7. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between them and the member by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

8. The statement of the rights of members in relation to the appointment of proxies in notes 2 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual which can be viewed at www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

10. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID-RA19) by the latest time for the receipt of proxy appointments specified in note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the

    message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

13. No Director has a service contract with the Company but copies of Directors' letters of appointment will, if possible, be available inspection for at least 15 minutes prior to the meeting and during the meeting.

14. Under section 338 of the Companies Act 2006, members may require the Company to give, to members of the Company entitled to receive this notice of meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting. Under Section 338A of that Act, members may request the Company to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business.

15. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting: or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

16. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received

Report of the UK Investment Adviser Relating to Matters under the Alternative Investment Fund Managers' Directive

City Natural Resources Growth and Income PLC

For the year ended 30 June 2020

Risk management systems

CQS (UK) LLP ("the Investment Manager") employs risk management disciplines which monitor the Company's portfolio and to quantify and manage the associated market and other risks. A permanent independent department has been established by the Investment Manager to perform the risk management function. The risk management and performance analysis team ("RMPA") is led by the Chief Risk Officer and is functionally and hierarchically separate from the operating units of the portfolio managers of the Company. RMPA is a dedicated control function over the operating units of the Investment Manager and is not involved in the performance activities of the Company. RMPA 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. The systems include third party vendor applications such as Tradar, Sungard Front Arena and MSCI Risk Metrics, complemented with a number of proprietary applications.

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

There have been no material changes to be disclosed during the year to 30 June 2020.

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.

Leverage

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Company's exposure to its net asset value and is calculated on a gross and commitment method. Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions is offset against each other. The leverage limits are set by the AIFM and approved by the Board. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings. The Company's maximum limits and actual leverage levels are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit (AIFM)	200%	200%
Maximum limit (Board)	200%	200%
Actual as at 30 June 2020	120%	120%

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 2019 and therefore does not coincide with the financial year of the Company.

The remuneration process is overseen by the remuneration committee (comprised predominately of independent non-executive parties). An internal working group encompassing senior management is responsible for gathering relevant information (both quantitative and qualitative) to evaluate the performance (both short and long term) of individuals, teams and the AIFM as a whole, against external market benchmarks and to utilise this to develop proposals for fixed and variable remuneration for all staff. The remuneration committee receives these proposals and the supporting information and is responsible for independently reviewing and scrutinising the proposals and evidence provided in line with the AIFM's stated objectives and developing its final recommendations for delivery to the governing body of the AIFM and other entities associated with the AIFM.

The variable remuneration of all staff in excess of a threshold, which includes those individuals categorised as remuneration code staff ("code staff"), is subject to the following:

- deferred payment of up to 50% of the variable remuneration for a period of 3 years,
- deferred remuneration is linked to funds managed by the AIFM ,
- the breaching of certain covenants may lead to forfeiture of deferred remuneration, and
- a claw-back provision of deferred remuneration in certain circumstances including future performance issues by the individuals.

The below information provides the total remuneration paid by the AIFM (and any delegates) for the year ending, December 31, 2019. 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 $123.5m for the year ending December 31, 2019 to 207.2 individuals (full time equivalent), $35.4m has been paid as fixed remuneration determined based upon the FCA guidance with the remainder being paid as variable remuneration.

The AIFM has assessed the members of staff whom it determines to be code staff in line with AIFMD as reflected in SYSC 19b.3.4R. Senior management and staff engaged in the control functions are identified based upon their roles and responsibilities within the AIFM and the delegates. With respect to investment professionals, in determining whether such staff are code staff, due consideration is taken of the allocated capital and trading limits that apply to the funds managed and whether the individuals report into and seek consent for investment decisions from others who are themselves code staff. There are 19.4 individuals (full time equivalent) who meet this definition and these individuals have collectively been compensated $74.1m.

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

02978531
Registered in England & Wales

Registered Office

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Rodney Way
Chelmsford CM1 3BY

Directors

Richard Ö Prickett (Chairman)
Carole Cable
Christopher M Casey
Alun G Evans
Helen F Green (Chair, Audit Committee)

Investment Manager

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Secretary and Administrator*

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Financial Adviser and Corporate Broker

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Bankers*

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Scotiabank
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Custodian and Depositary*

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AIFM

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Registrars

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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

*Further information regarding the transfer of each of these third party services to BNP Security Services S.C.A. can be found on pages 3 and 24.

**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.

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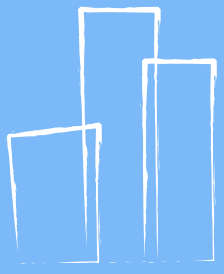
The Association of Investment Companies



CQS Natural
Resources Growth
and Income PLC