AGM December 2020

CQS Natural Resources Growth and Income PLC

Signatory of:

Principles for Responsible Investment

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CQS in Numbers

20+
Years

Delivering fundamental, research-driven investment across the entire capital structure

$18.8bn
AUM

Multi-strategy asset management in both traditional (long-only) & hedge fund structures

~210
Employees

Headquartered in London with investment offices in New York & Hong Kong

70+
Investment Professionals

Including specialist research, with sectoral, macro-economic & geopolitical expertise

Source: CQS estimated as at 1 November 2020.

Portfolio Exposure

Precious Metals

Overweight

28.6%[1,2]

The Fund is over weight in precious metal miners, looking to take advantage of the material discount at which producers under $1bn market cap trade. It provides an important protective aspect to current global political uncertainty, whilst benefiting from the synchronised rate reduction cycle.

Energy

Underweight

5.8%[1,2]

Caution on US production growth leads us to expect an extended period of depressed oil prices. We do not see the same tightening fundamentals we see in base metals because of the shorter cycle nature of shale production. OPEC no longer appear willing to continuously cut production to support pricing.

Fixed Interest Securities

Overweight

16.1%[1,2]

Primarily funded through the funds gearing, this provides an important income stream to support the dividend.

Base Metals

Overweight

27.5%[1,2]

Years of under investment in new base metal projects has led to a dearth of new mines coming online. Whilst the companies are out of favour currently we believe there is a strong fundamental argument for being over weight, as even moderate levels of demand growth will see an improvement in pricing. Any resolution to the US/China trade war would see a quick rebound.

Shipping Companies

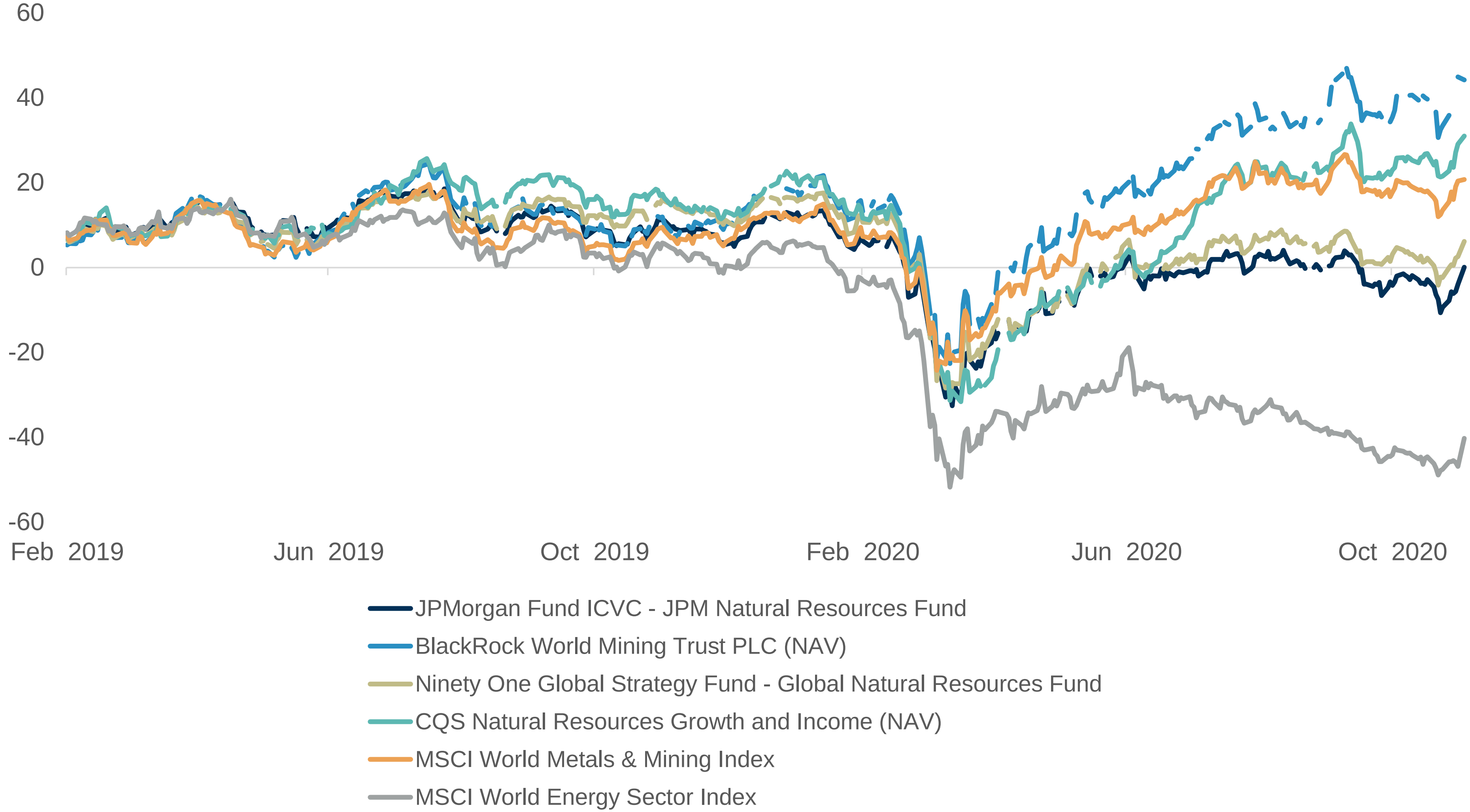
Overweight

10.3%[1,2]

The fund has exposure to oil, LPG and bulk shippers. A number of catalysts are coinciding to make this an attractive sector such as, a lack of new ships in the order book, a new low sulphur fuel requirement starting in Jan 2020 and trade tariffs disrupting the flows of commodities from the most economic and often shortest route, resulting in increased vessel utilisation. Day rates for vessels are highly sensitive to small changes in utilisation of the global fleet and can lead to enhanced returns for shareholders. Many of the positions are transitioning in to periods of high cash flow and healthy dividends.

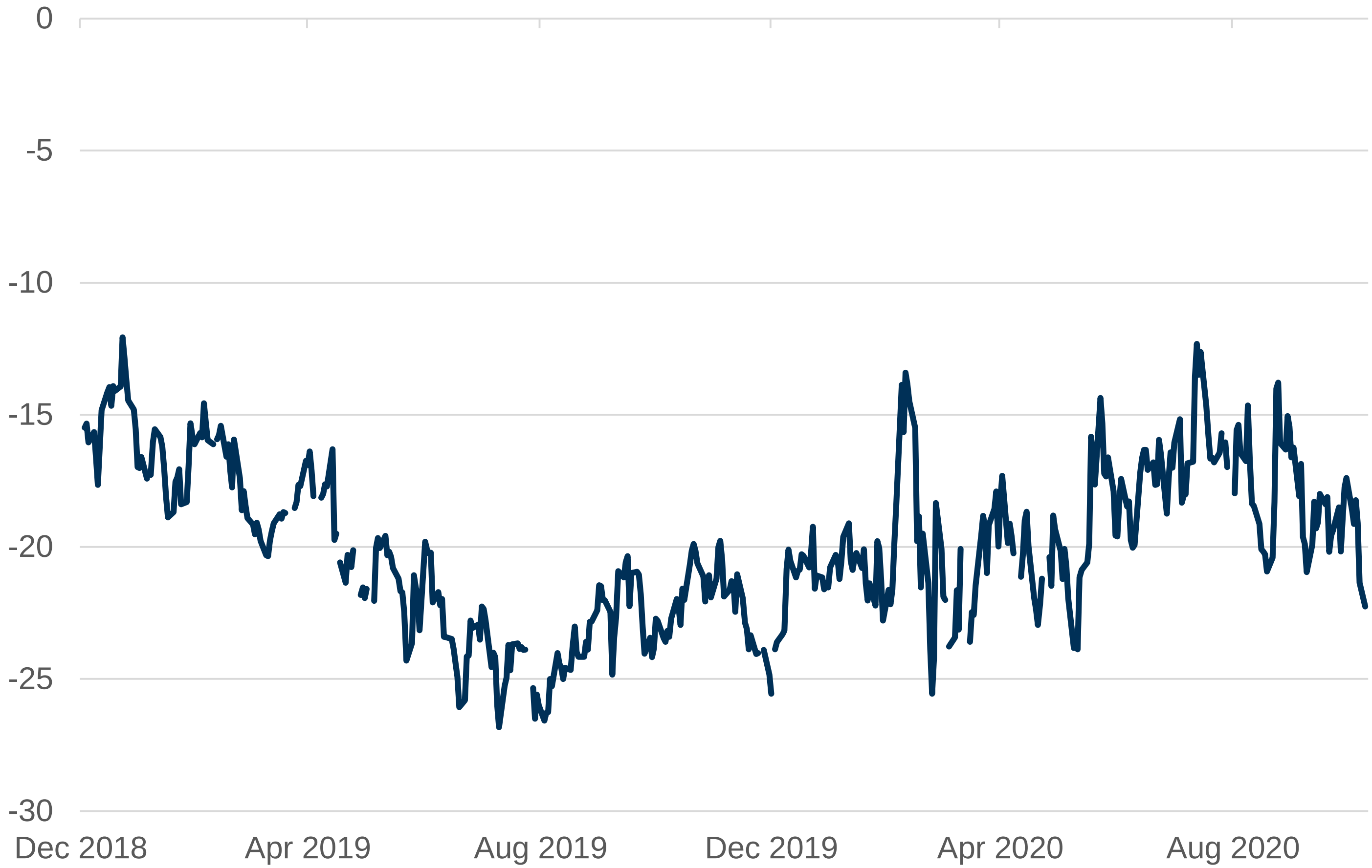
Source: [1]BNP Paribas as at 30 September 2020. [2]All holdings data are rounded to one decimal place. Totals may therefore differ to sum of constituents. These include historic returns and past performance is not a reliable indicator of future results. The value of investments can go down as well as up. Please read the important legal notice at the end of this document.

CQS Natural Resources vs Peers and Indexes (GBP, normalised to 100)



Source: Bloomberg as at 11 November 2020.

Discount to NAV

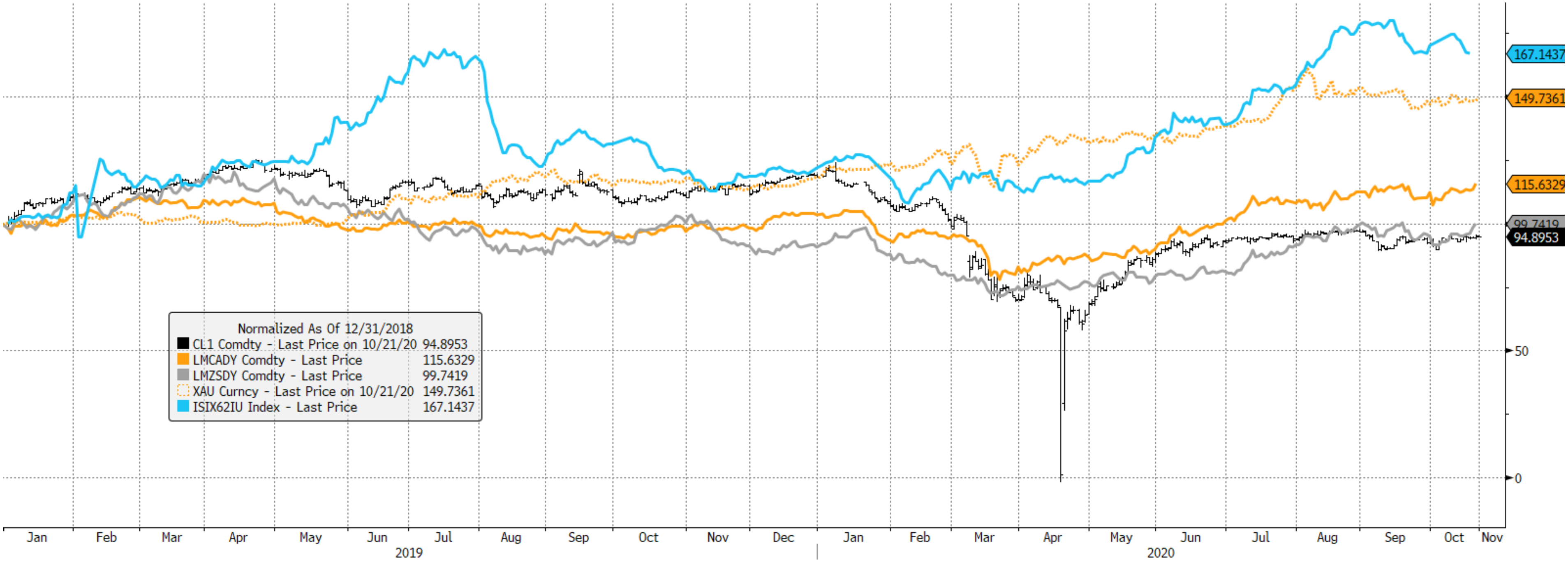


Commodities – Key Drivers

Positive outlook for Commodities

- Central bank policy supportive, targeting unemployment, supportive for demand – low rates to remain
- Covid fears should dissipate with Vaccine in 2021
- Restocking of the industrial supply chains following COVID-19 supply disruptions
- China ~50% of commodity demand – recovered quickly
- Biden win – may soften tone for US/China trade war
- Supply remains constrained due to years of low capex on new projects
- Chinese environmental focus reducing metal production & demand for high grade ore imports
- Remain cautious on oil - OPEC reduced production quota’s by 8M bbls/d still to return

Most Commodities (Ex Oil) Above Pre COVID Levels



- Copper $/t
- Zinc $/t
- WTI Oil $/bbl
- Gold
- Iron Ore

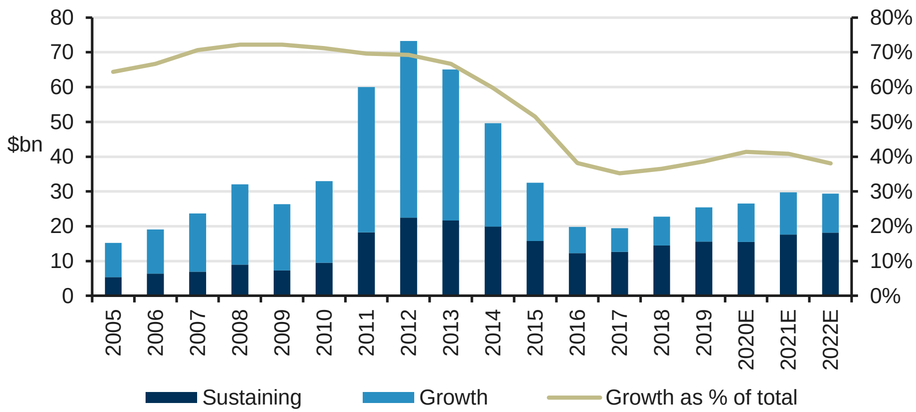
Source: Bloomberg as at 3 November 2020.

Base Metals

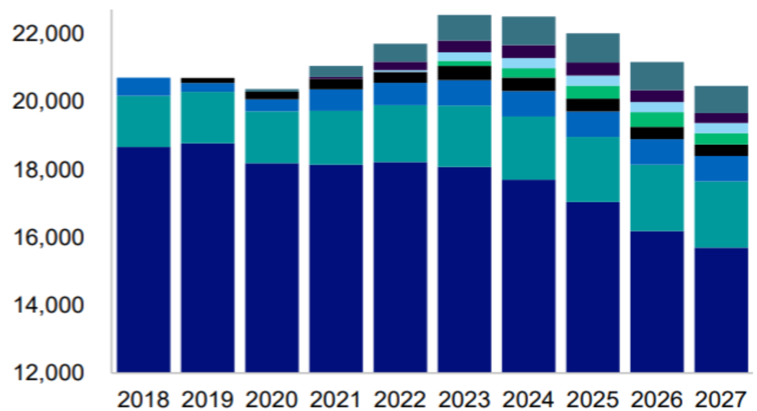
Reasons for optimism

- COVID-19, stimulus focusing on jobs is supportive for demand through infrastructure build out and end consumer demand
- Environmental themes accelerated through Government spending – EV's, Renewable power and electrification.
- Industrial restock cycle - led by China's strategic stocks build
- Supply remains constrained following years of low expansion capex – 10 years to bring a copper mine in to production

Capex of Big 5 Mining Majors (incl. Glencore since 2011)[1]



Global Copper Mine Production[2] (kt contained)

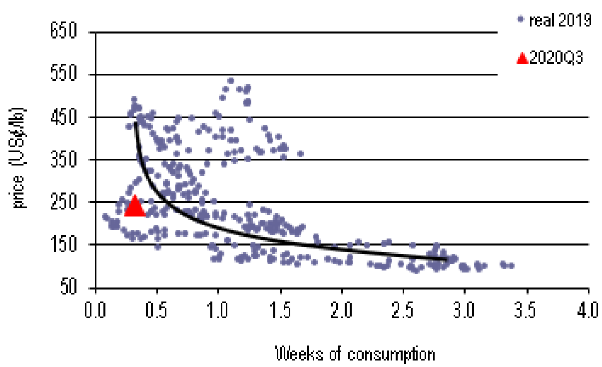


Source: [1]Sum of Big 5 diversifieds (including Glencore since 2011), Barclays, 13 October 2020. [2]Jefferies, Copper and Base Metal Summit, https://www.teck.com/media/20201007_Jefferies%20Copper%20and%20Base%20Metals%20Summit.pdf, 7 October 2020, p. 101.

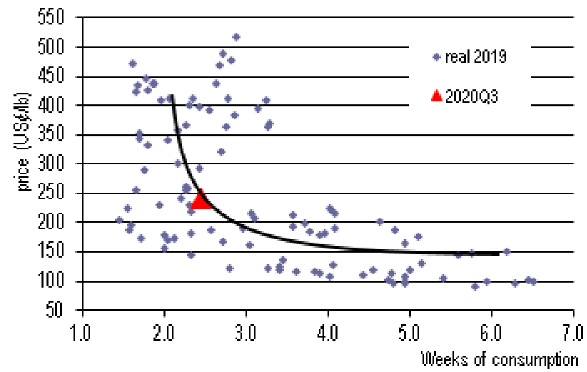
Base Metals Stocks Already Tight

Inventories Copper (Cu) and Zinc (Zn) notable

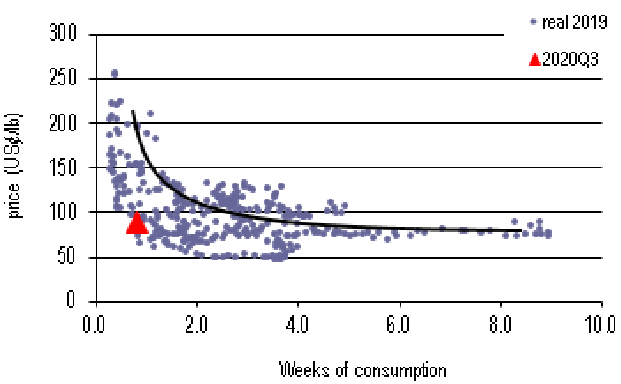
LME Pinch Diagram (Copper)



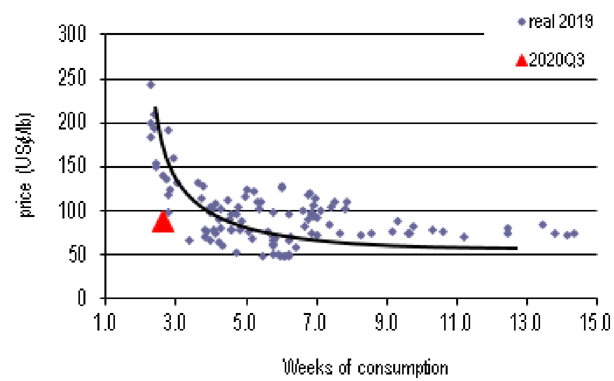
Global Market Pinch Diagram (Copper)



LME Pinch Diagram (Zinc)



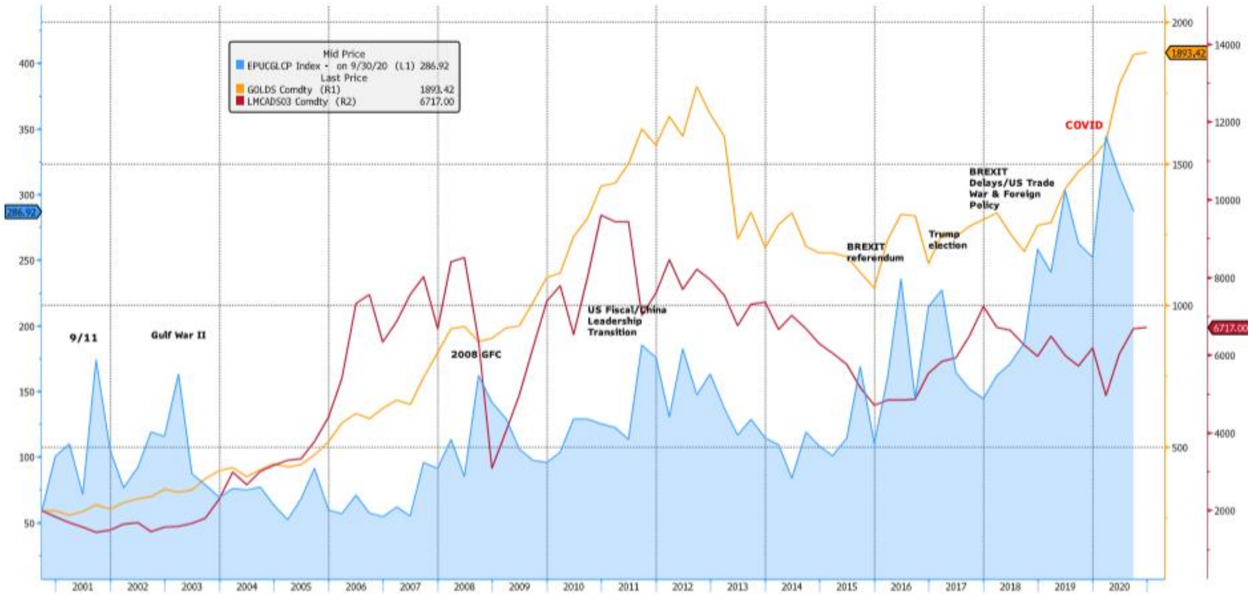
Global Market Pinch Diagram (Zinc)



Source: LME, Bloomberg, WBMS, MS Research as at 30 September 2020.

Precious Metals

Global economic policy uncertainty highest on record[1]



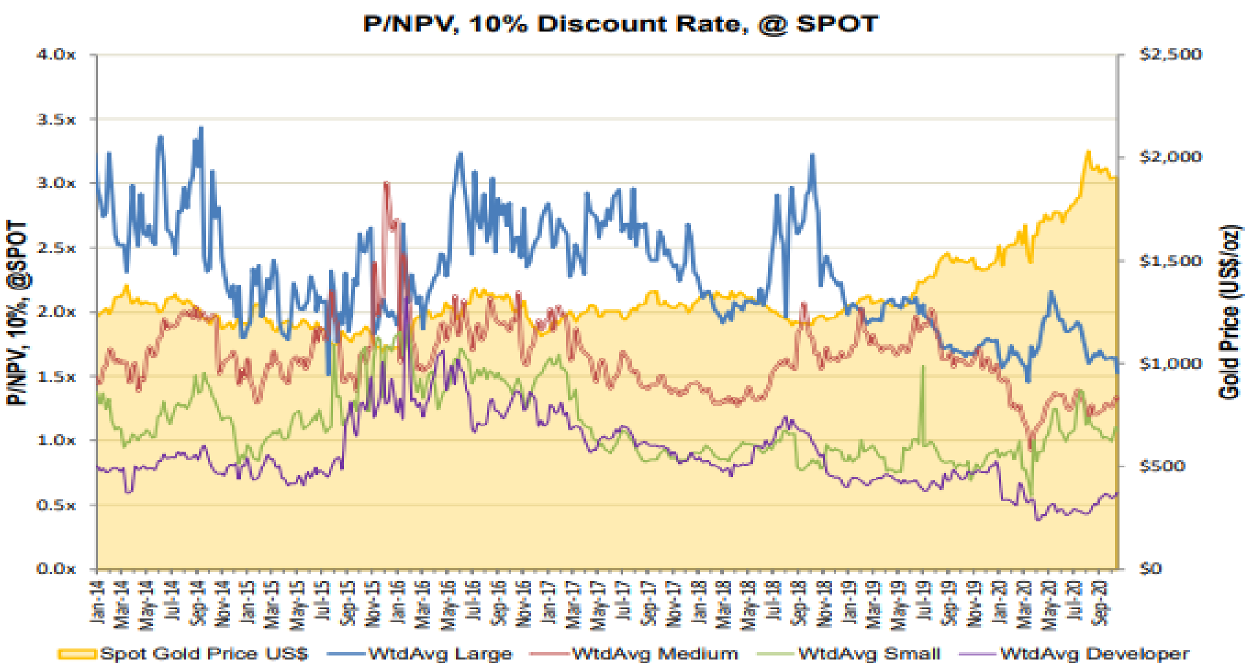
Geopolitical/systemic risks

- Synchronised government spending – rates to remain low– ballooning government debt – how will this be repaid?
- US election – parties seeking to outspend each other?
- Possible currency debasement favours real assets – Diversify Treasuries in to gold
- International friction – US vs China trade war, China vs HK/RoW
- Brexit

Source: [1]Bloomberg, Global Economic Policy Uncertainty Index with Current Price GDP, as at 30 September 2020.

Junior golds at discount to sector

Valuations have lagged the current Gold Price[1]



Summary

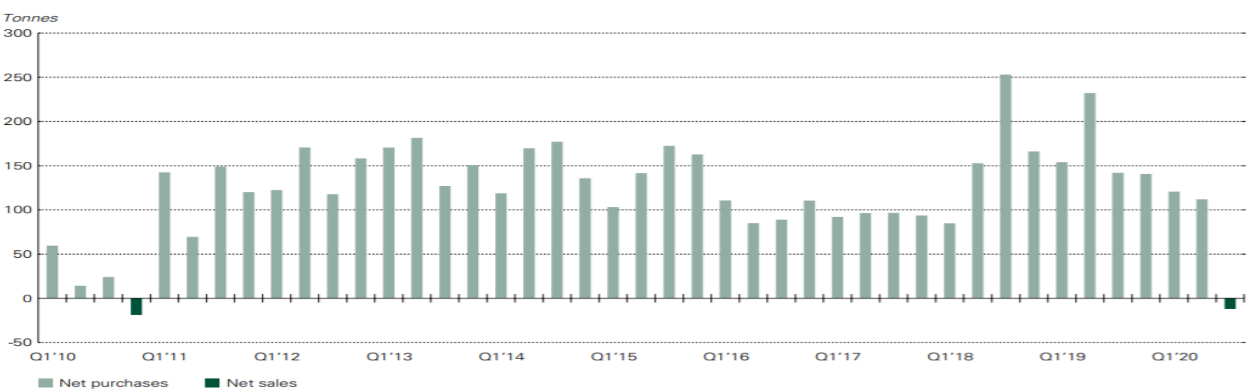
- Junior end of sector at a discount – with specific names even more discounted – do not need a higher gold price
- Many funds can't own pre production – our heavy weight to developers has benefitted from this and should continue to do so as companies rerate
- M&A – Larger producers have under spent on exploration so now need to acquire to avoid depleting reserves and grow

Source: [1]BMO Capital Markets, Bloomberg, FactSet 'Materials – Precious Metals & Minerals', as at 26 October 2020.

Rationale to Own Gold is Still Valid

Negative Yielding Debt[1]

Central Bank first net sales for a decade to fund COVID programs – gold still increased 7.1%[2]



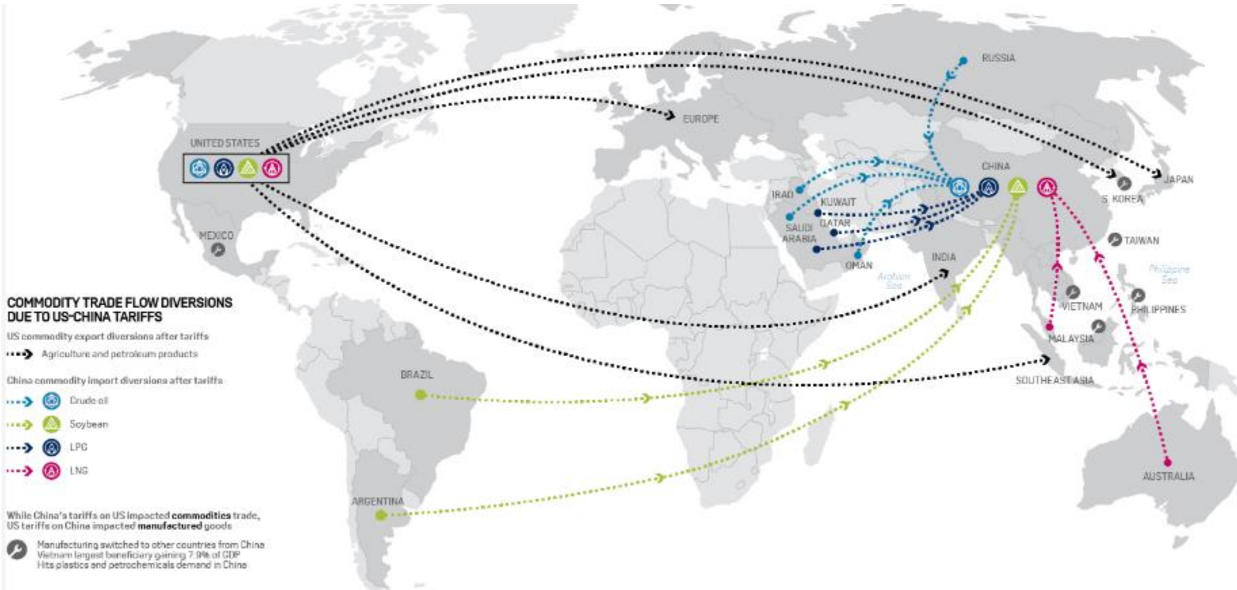
Summary

- Sovereign debt issues not resolved
- Many nations approaching dangerous levels of Debt/GDP by historic standards
- Currency debasement (pace has quickened)
- $16trn. negative yielding debt, no yield disincentive from holding gold[1]
- Central bank buying should recover post COVID as nations diversify from USD and Treasuries

Sources: [1]Bloomberg, as at 6 November 2020. [2] World Gold Council, Gold Demand Trends Q2 H1 2020, as at 21 October 2020.

Tariffs Reroute Trade

US-China Trade Dispute Disrupts Commodity Trade Flows



Summary

- Even under a Biden win – Trade war to have lasting impact on trade routes
- Manufacturing rerouted to the likes of Vietnam, Indonesia & Thailand
- China increasingly looking to stimulate to support the economy
- Funds position in shippers will placed to potentially benefit

Source: https://blogs.platts.com/2019/09/04/us-china-trade-conflict-commodity-flows-demand

Real Demand for Commodities Increasing

Chinese Copper Imports (Thousands of Tonnes Ore Per Month)[1]

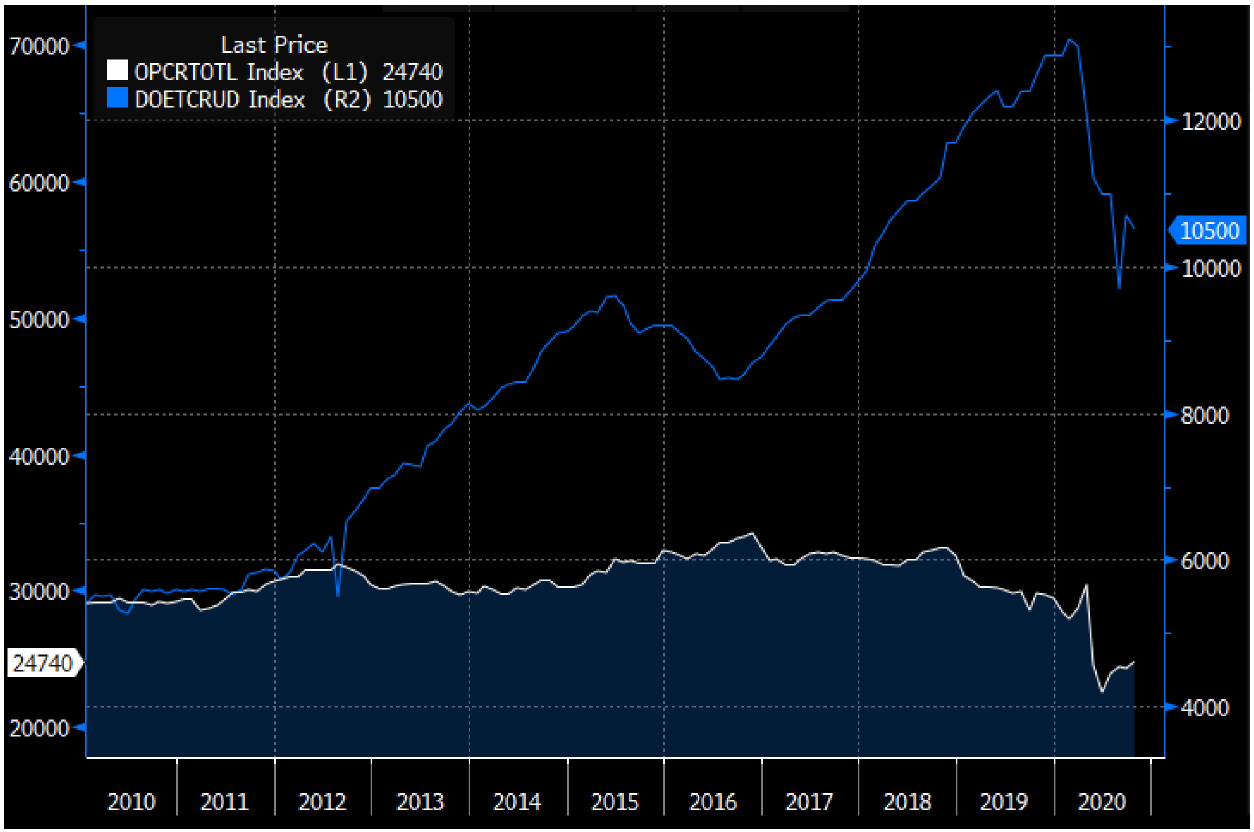
Summary

- Global stimulus and infrastructure may drive a sharp rebound
- Urbanisation trend still continues
- Base metal demand growing
- Global population has risen 1.3 billion since 2000[2]

Source: [1]Bloomberg as at 30 September 2020. [2]United Nations 'Concise Report on the World Population Situation in 2014'.

Oil

US Production and OPEC production (k bbls/day)[1]



Summary

- Oil demand collapsed ~8% post COVID-19, unclear when we get back to pre COVID demand levels
- OPEC's 7.7M bbls of quota cuts will return at $50/bbl
- US shale consolidated through mergers – will reduce costs and activity
- Oil price tied to the cost curve from marginal shale production longer term $40-50/bbl
- We remain underweight Energy as most oil companies imply $50-60/ bbl
- The funds exposure is primarily through shippers

Source: Bloomberg, as at 31 October 2020. US production: DOETCRUD Index. OPEC production: OPCRTOTL Index.

Global Offices

London

CQS (UK) LLP

4th Floor, One Strand, London
WC2N 5HR, United Kingdom

T: +44 (0) 20 7201 6900
F: +44 (0) 20 7201 1200

New York

CQS (US) LLP

152 West 57th Street, 40th Floor, New York.
NY 10019, US

T: +1 212 259 2900
F: +1 212 259 2699

Hong Kong

CQS (Hong Kong) Limited

1308 One Exchange Square,
8 Connaught Place, Central, Hong Kong

T: +852 3920 8600
F: +852 2521 3189

CQSClientService@cqsm.com

www.cqs.com

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