



December 2023 AGM

CQS Natural Resources Growth and Income PLC

Robert Crayford, Keith Watson, Portfolio Managers

LONDON
NEW YORK
HONG KONG
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Signatory of:



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CQS Natural Resources Growth and Income Introduction



Fundamentals in the commodities sector are beginning to catch up, providing protection against inflation.

After **years of underinvestment, supply is now lagging demand** in most commodities, leading to **higher prices and potentially higher profits** for natural resources companies.

Strong returns can be achieved by investing at this point in the cycle, particularly in **smaller companies**, where the Trust is focused.

The Investment Proposition

Diversified natural resources exposure through smaller companies

The Fund

LSE Main Market
Investment Trust
Est. Aug 2003
c.£150m gross assets

Ian Francis,
Keith Watson &
Robert Crayford
Portfolio Managers
Since Oct 2015

3.4% yield
10% gearing (max 25%)
Annual continuation vote

The Strategy

Listed
**natural
resources**
companies

Equities mainly,
but fixed interest
also

**Smaller
companies**
focus

Unconstrained & Diversified by
Sector / resource & Geography (global)

The Opportunity

**Favourable
fundamentals:**
DEMAND: Energy
transition is
commodity intensive
SUPPLY: Historic
underinvestment + ESG
pressures on new supply
INFLATION

Smaller companies
undervalued relative to
larger caps

Current Portfolio

111
Holdings

44%
Top 10

6.6%
Largest holding

29% Oil & Gas
18% Gold
14% Other
11% Shipping
10% Uranium

6% Coal
6% Base Metals
5% Lithium
3% Copper

Performance¹

NAV total returns %

6 Month

1yr

3yr

5yr

1.6%

-9.4%

+104.6%

+111.7%

About the Fund Manager

Portfolio Managers



Ian Francis

Ian 'Franco' Francis is CIO New City, and a Senior Portfolio Manager for CQS' New City High Yield and Convertibles business and joint Portfolio Manager for City Natural Resources High Yield Trust plc.



Keith Watson

Keith is joint Portfolio Manager for City Natural Resources High Yield Trust plc, Geiger Counter Limited and Golden Prospect Precious Metals Limited.



Robert Crayford

Robert is joint Portfolio Manager for City Natural Resources High Yield Trust plc, Geiger Counter Limited and Golden Prospect Precious Metals Limited.

Other Funds Managed

£500m+

Managed by the team across CYN and three other LSE-listed funds:

Geiger Counter (GCL.L)
Uranium equities

Golden Prospect Precious Metals (GPM.L)
Precious metals equities

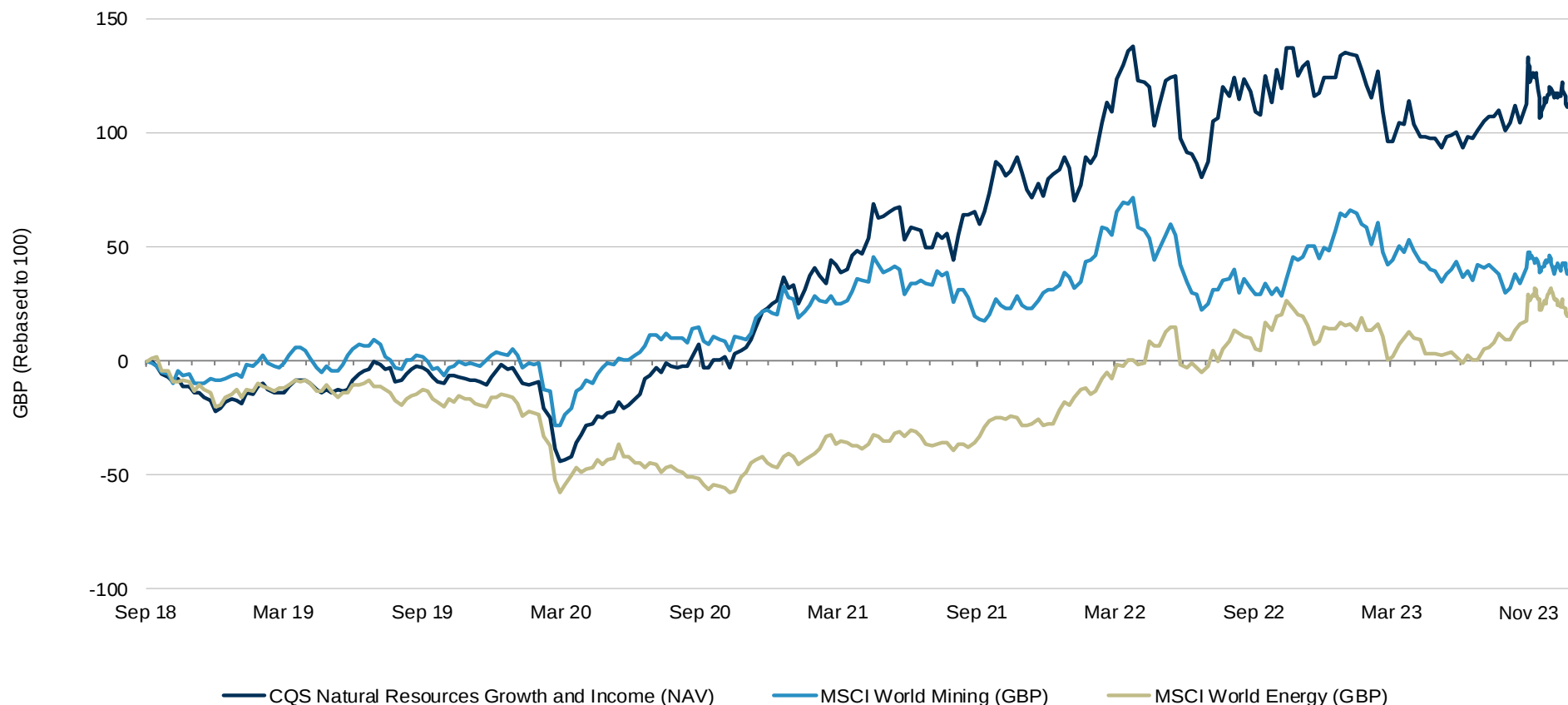
CQS New City High Yield (NCYF.L)
High yield bonds

About CQS

20+ years delivering fundamental, research-driven investments across the capital structure, from our offices in London, New York & Hong Kong.

Long-only and alternative strategies in public and private markets, focused on long-term repeatable responsible returns.

CQS Natural Resources versus Peers and Indices



Key Themes

Maximise returns from market disconnects driven by government and investor policy

Inflation

Commodities are generally one of the best performing sectors during periods of inflation

Underinvestment

Capex by producers has been weak since 2015 limiting new supply growth

ESG Constraining Supply

ESG constraints have blocked the capitalist response function by producers to high prices

Energy Transition

Near term need in any form.

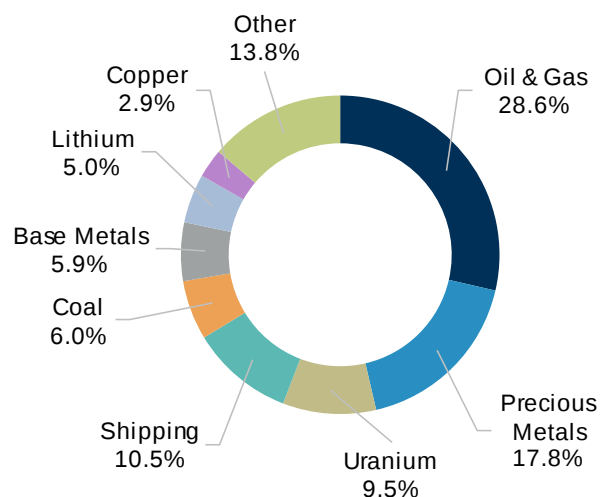
Longer term - net zero targets will increase demand for commodities to build renewables and EV's

This all extends the cycle of strong margins for commodity producers

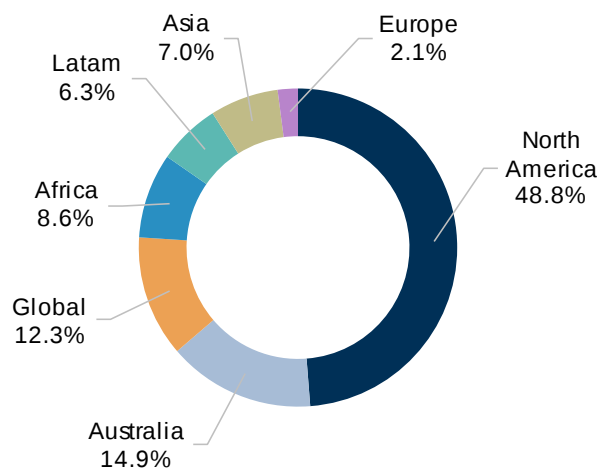
Current Portfolio



Breakdown by Asset Class



Breakdown by Holdings



Top 10 Holdings¹

		Gross Assets (%)
1	Nexgen Energy NPV	6.6
2	BW LPG USD0.01	6.5
3	Transocean USD0.01	4.8
4	Precision Drilling Com NPV	4.6
5	Emerald Resources NPV	4.4
6	Diamondback Energy USD0.01	4.2
7	Vermillion Energy Com NPV	3.7
8	Frontline USD1.0000	3.0
9	EOG Resources USD0.01	3.0
10	Diversified Energy GBP0.01	3.0
Top 10 holdings represent		43.8

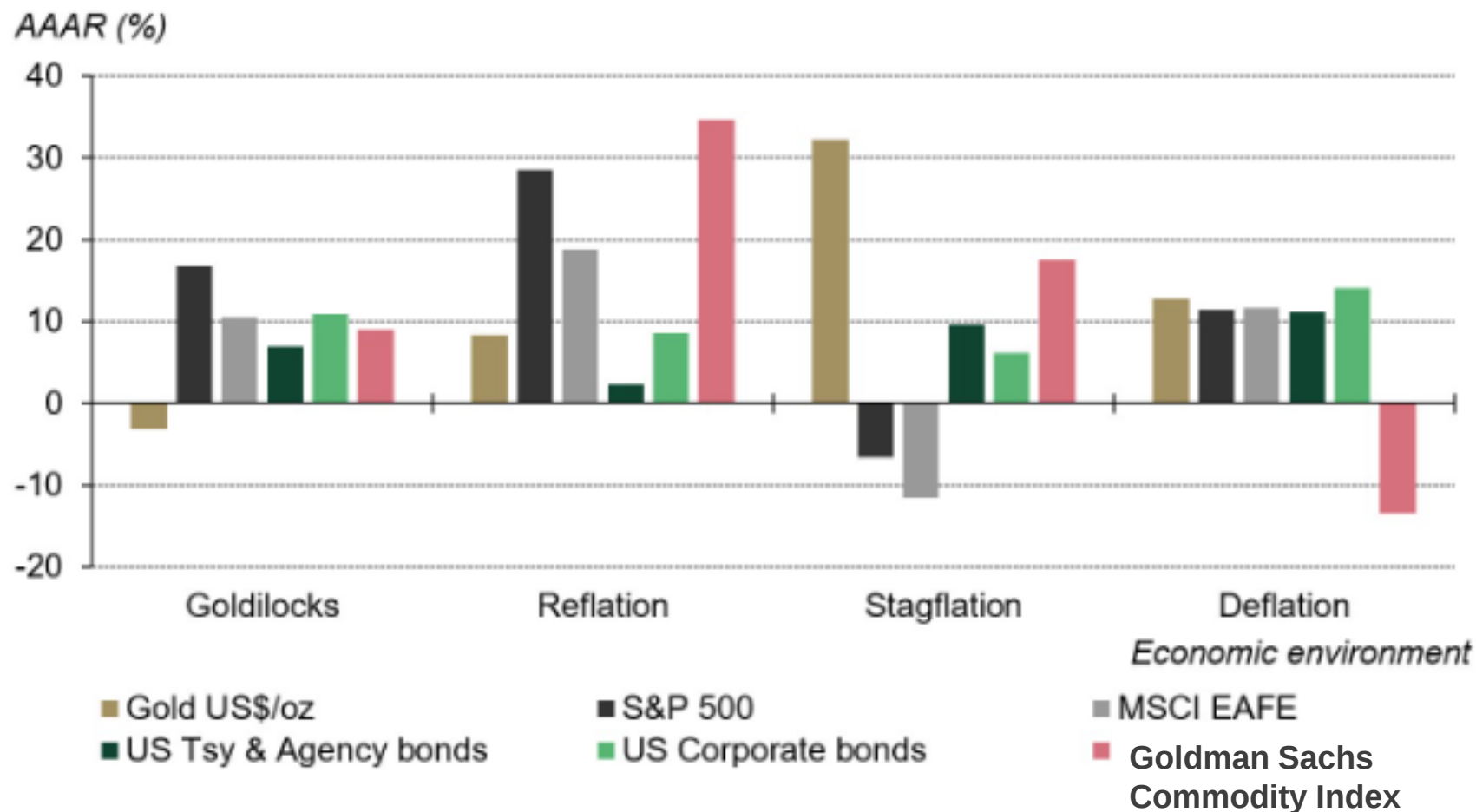
Source: CQS as at 31 October 2023. ¹All holdings data are rounded to one decimal place. These include historic returns and past performance is not a reliable indicator of future results. The value of investments can go down as well as up. Please read the important legal notice at the end of this document. Note: Includes Euronav NPV and Euronav Luxembourg 6.25% 14/09/26 USD and EURONAV NPV USD. Includes Rea Finance 8.75% 31/08/2025 and R.E.A. Holdings Plc Ordinary 25p and Rea Holdings Preferred. Includes First Quantum Minerals equity First Quantum Minerals 7.5% 01/04/2025

Top 10



	Weight	Sector	Region	Notes
Nexgen Energy NPV	6.6	Uranium	North America	Highest grade undeveloped mine globally
BW LPG USD0.01	6.5	Shipping	Global	Propane shipper, benefiting from US exports to Asia
Transocean USD0.01	4.8	Oil & Gas	Global	Leading offshore rig company with high spec rigs
Precision Drilling Com NPV	4.6	Oil & Gas	North America	A leading shale driller with operating and financial leverage
Emerald Resources NPV	4.4	Gold	Asia/Australia	Producing gold miner with self-funded growth profile & top tier management
Diamondback Energy USD0.01	4.2	Oil & Gas	North America	High quality US shale producer
Vermillion Energy Com NPV	3.7	Oil & Gas	North America/Europe	Canadian onshore and a variety of European producing gas assets
Frontline	3.0	Shipping	Global	Leading listed crude shipper
EOG Resources USD0.01	3.0	Oil & Gas	North America	Top tier US shale oil producer
Diversified Energy GBP0.01	3.0	Oil & Gas	North America	Onshore US gas producer and distributor

Commodities Perform During Inflation, Gold Especially During Stagflation



Key Theme - Energy Crisis of Our Own Making

– Renewables Still Only 7% of Power Supply



Energy: 56% of the Fund (including Uranium & Shipping)

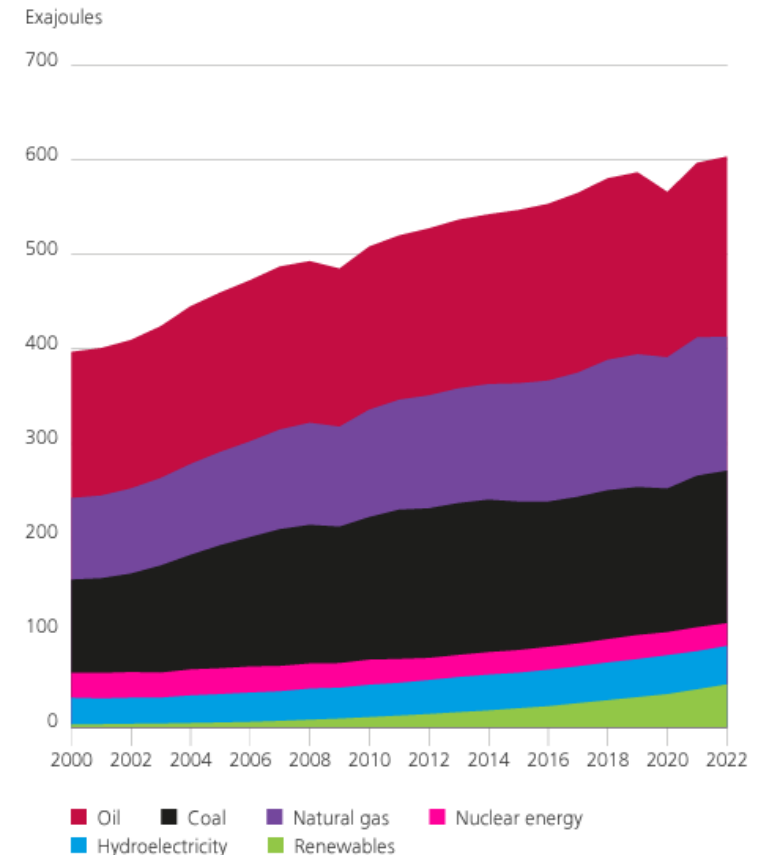
- Renewables growing but from a low base – will need grid storage
- 100's of years of energy policy cannot be reversed overnight
- Policy makers limiting supply faster than demand
- Europe and Asia more exposed due to high energy imports
- Russia/Ukraine exacerbates European pricing
- Energy to see a positive political and investor shift

Exposure examples

29% Oil & Gas
11% Shipping
10% Uranium
6% Coal

- Precision Drilling – US/Canadian shale driller
- Diamondback Energy – US shale producer
- Nexgen Energy – Canadian Uranium developer
- Vermillion – Canadian Oil and European Gas producer

World Consumption (Exajoules)¹



Oil and Gas: 29% of Fund

Demand

- Oil demand is set to hit a record 103M bopd
Global oil inventories already declining at ~3M bopd
- EV penetration small but growing
- Renewables to push out coal not oil
- Emerging market growth pushes out Peak oil demand thesis

Supply

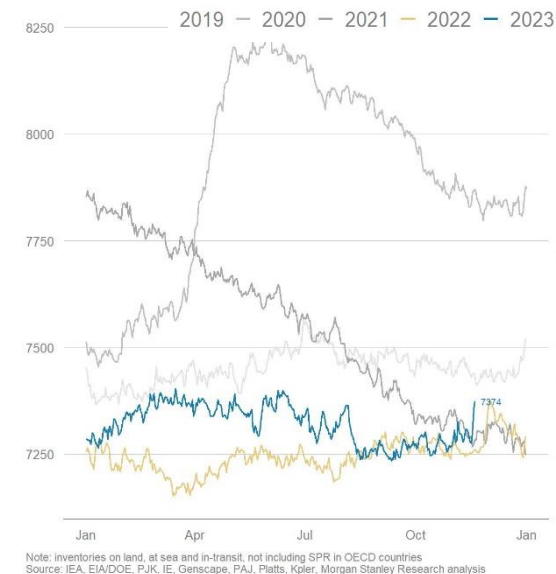
- Producers remain disciplined – focused on capital returns
- US rig count rolled over
- OPEC cuts to defend price
- Rigs, ships, refining not being built

Valuations

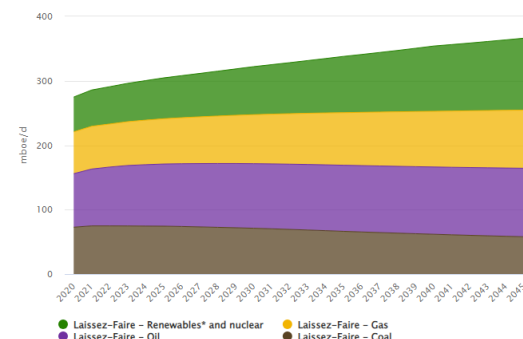
- Energy producers remain unloved with attractive valuations
- ESG factors have restricted institutional ownership
- Offshore Rig owner - Transocean 5.5% of the fund

Observable crude oil inventories

On land, at sea and in-transit (min Mbbbls)¹



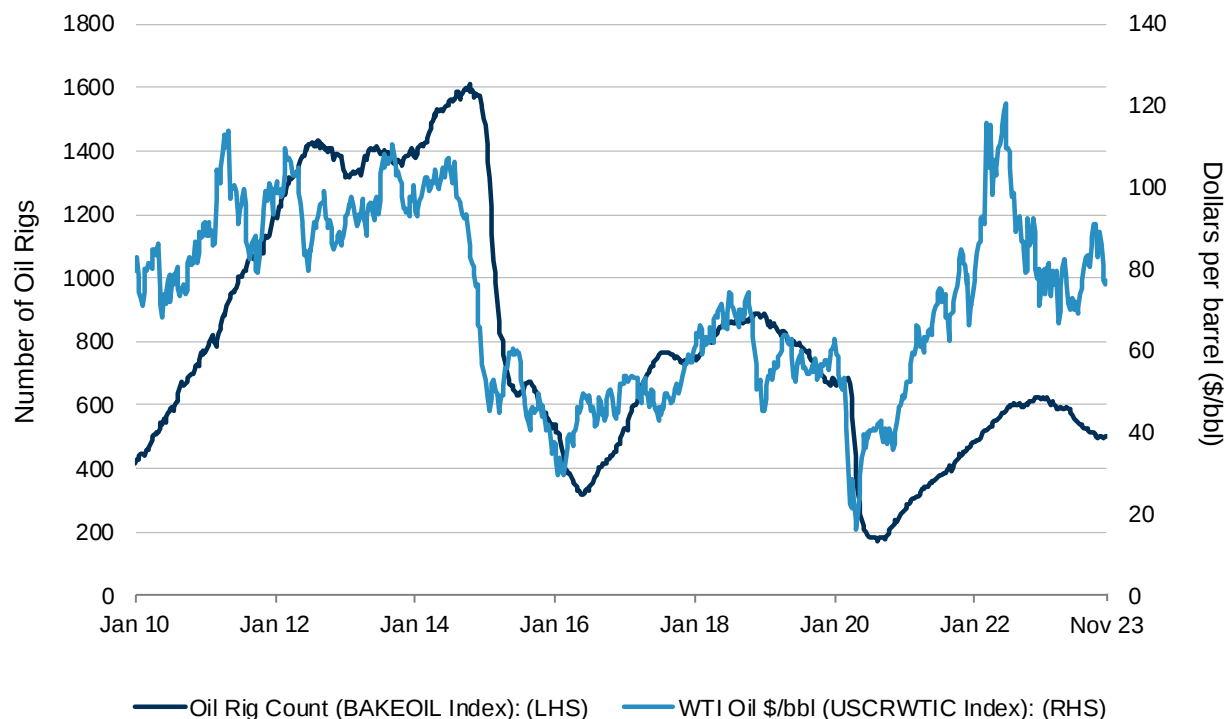
Global primary energy demand in the Reference Case and in alternative scenarios, 2020-2045²



Source: ¹Morgan Stanley: The Oil Manual 'Tighter for longer, but OPEC holds the key' and IEA, EIA/DOE, PJK, IE, Genscape, PAJ, Platts, Kpler, Morgan Stanley Research analysis. Note: Also includes condensate. NGL and other refinery feedstock as at 30 November 2023. ²OPEC.org 'Chapter 8: Energy scenarios' Figure 8.1b – Laissez-Faire. Note: Renewables include hydro, biomass and other renewables (e.g. wind, solar, geothermal).

Energy is Still Seeing a Muted Supply Response

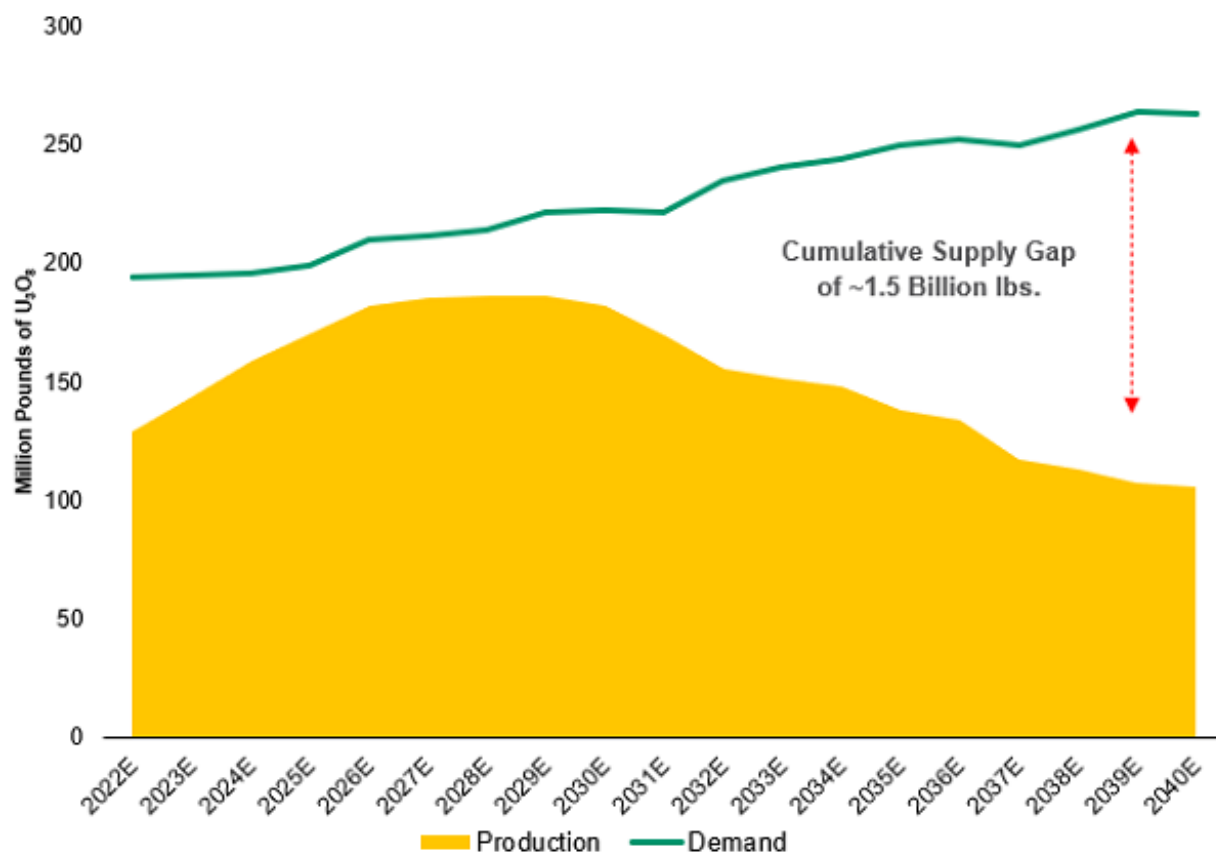
Slow producer response to higher prices



Summary

- Demand recovering to pre-Covid levels
- OPEC remaining disciplined
- Shareholder pressure limiting any supply response (ESG/ Dividends & buybacks)
- ESG pressures mean sector is under held levels
- Valuations and dividends are compelling
- Exposure through gas and oil producers, drillers, shippers

Uranium – 10% of Fund – Zero Carbon Base Load Power



- Nuclear renaissance due to zero carbon base load
- Government support to meet emission targets
- Structural supply shortfall for the next decade
- Reactor life extensions in West
- Reactor build out in Asia
- Russia/ Ukraine adding supply chain uncertainty
- Years of lower prices limit supply pipeline

Key Theme - Energy Transition is happening but needs a lot more of Certain Commodities – 11.4% of Fund



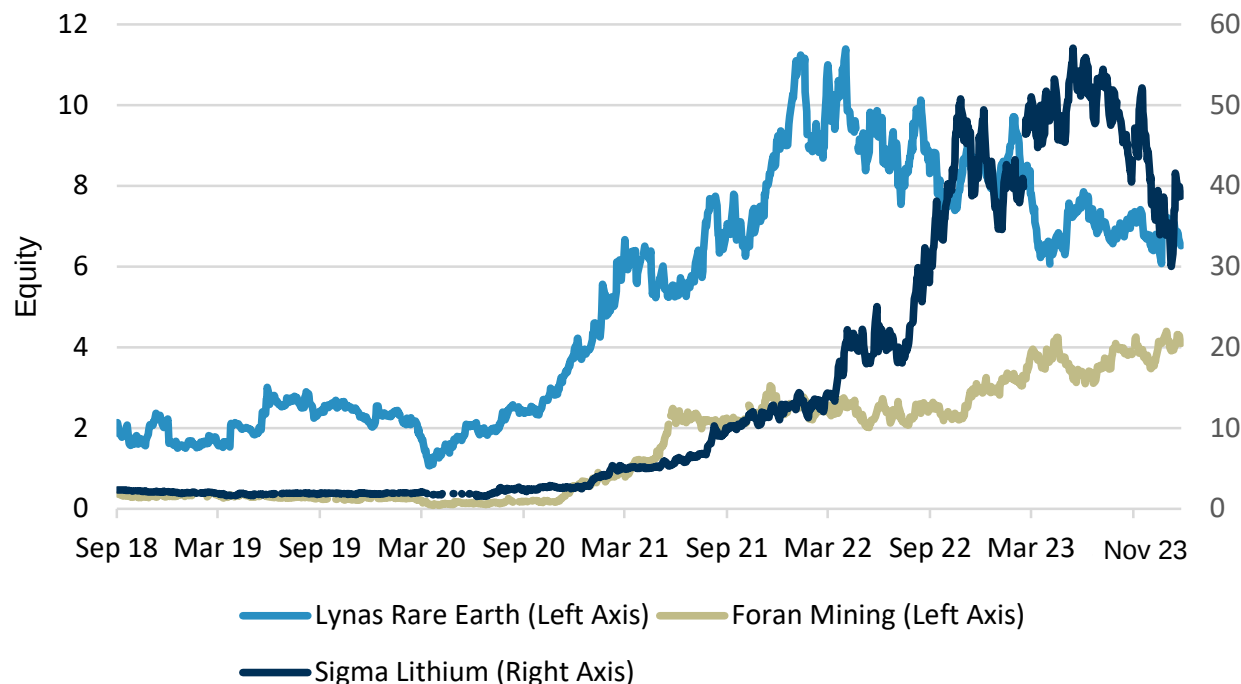
- Copper, Lithium, Nickel, Rare Earth
- Batteries are key to stabilise grids
- Lithium is not rare and Lithium stocks aren't cheap – bottom up analysis is key
- Input prices will remain volatile
- Governments to shift back to old economy only to find severe underinvestment in the required supply – the time frames are too short to resolve this issue in next 12 months

Exposure

- Strong returns on high pricing
- Gas/ Oil/ Coal required in mean time

Examples

- Leo Lithium – Lithium development project in Mali
- Sigma Lithium – Brazilian Lithium mine

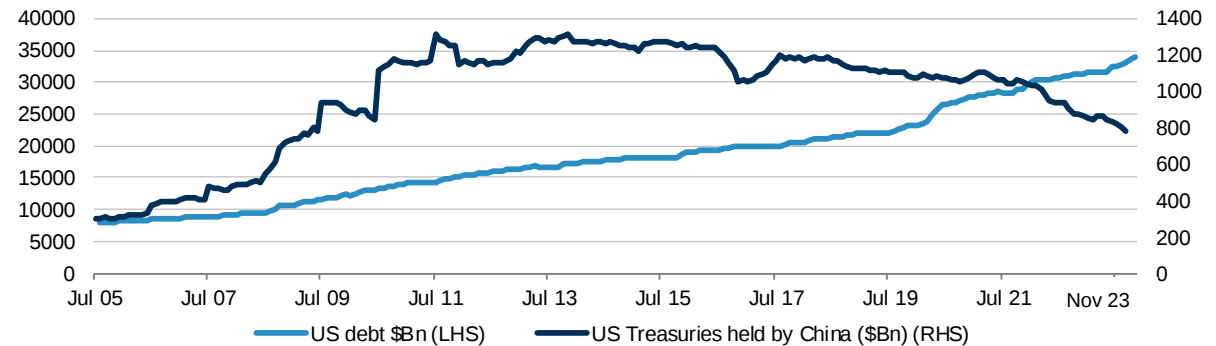


Key Theme - Precious Metals – 21% Increasing Reasons to Own Gold

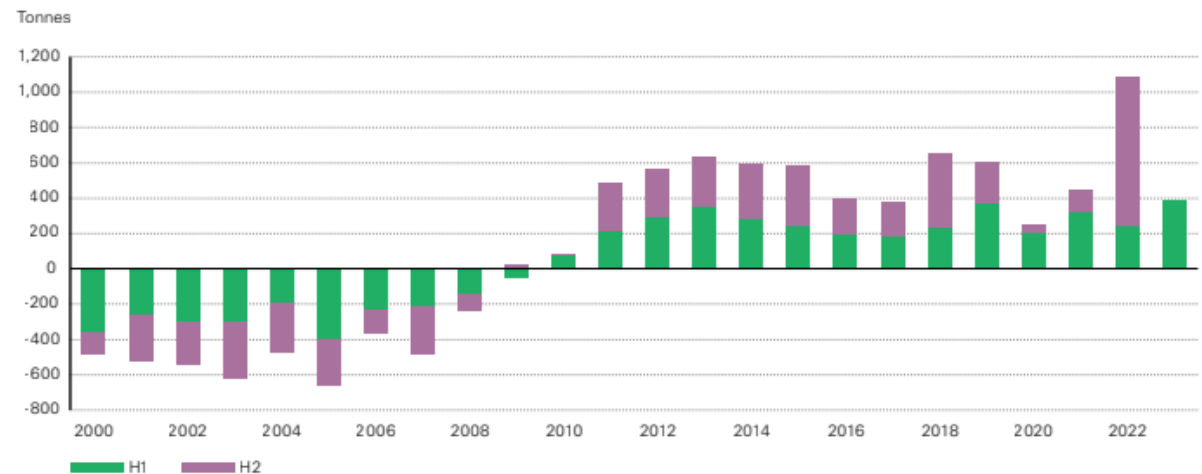


Summary

- Global debt going parabolic
 - China dumping US treasuries
 - Central Bank demand strong
 - Gold elevated despite physical ETF selling
-
- Inflation/ Stagflation protection
 - Protection against policy risk



H1'23 central bank demand is the highest first half total on record*



Data as of 30 June 2023. Quarterly data available from Q1 2000.
Source: Metals Focus, Refinitiv GFMS, World Gold Council

Key Theme - Precious Metals – 21% Miners at Record Low Multiples



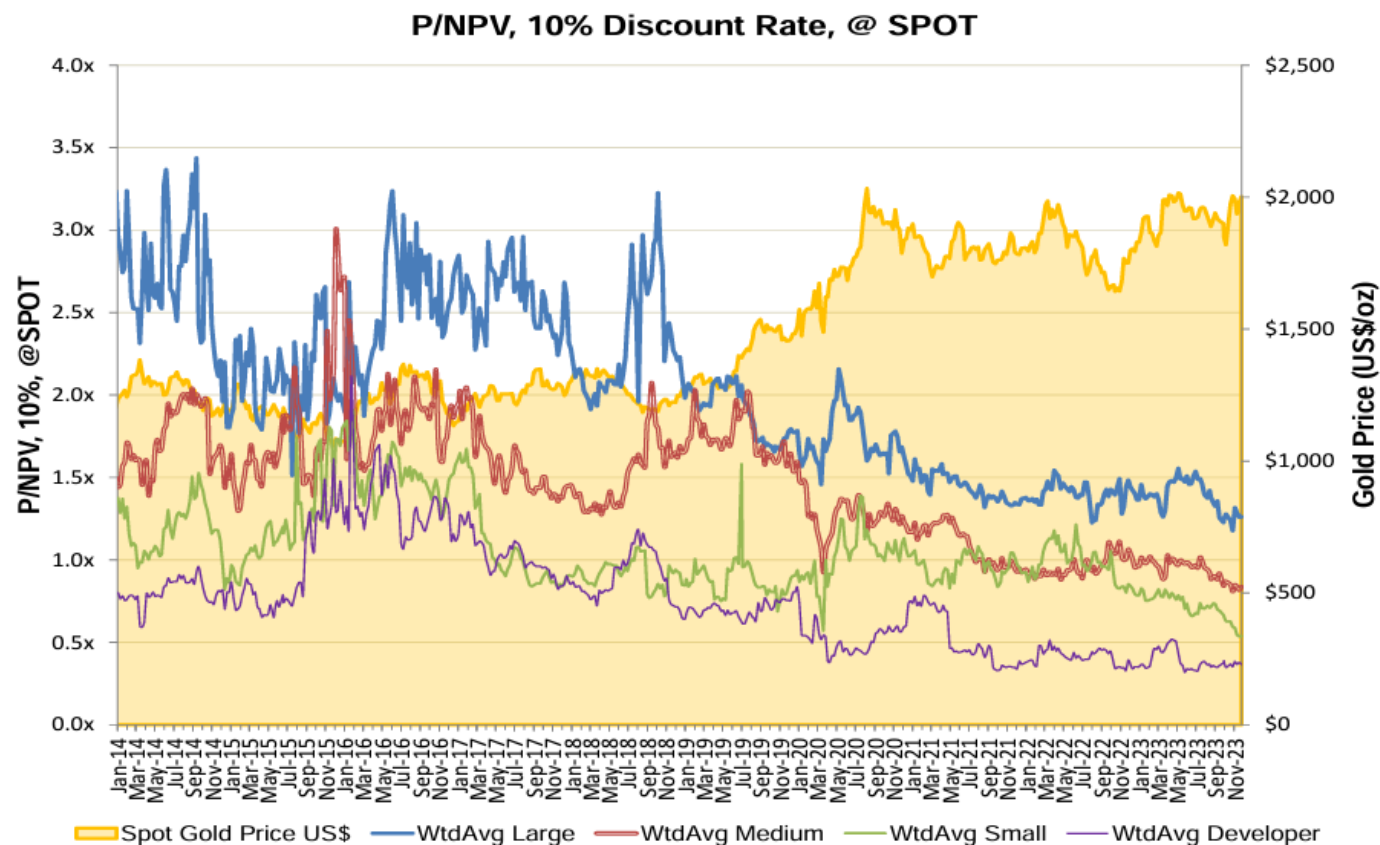
Valuations

- Close to Lowest P/NAV's ever
- Cost Inflation pressures easing
- M&A – Larger producers have under spent on exploration and now need to acquire, in order to avoid depleting reserves and grow

Example

- Emerald Resources
- Gold producer in Cambodia with strong FCF and significant self funded growth pipeline in Australia

Valuations have lagged the current Gold Price¹



Base Metals 9% of Fund

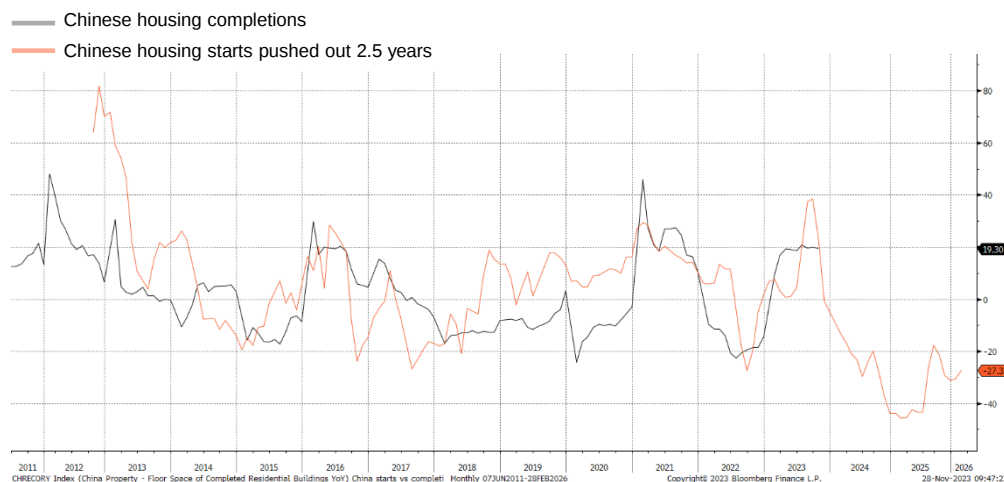
Long term fundamentals are positive but near term risks

- Some near term demand concerns due to global slow down and Chinese property slowdown
- Environmental themes accelerated through Government spending – EVs, Renewable power and electrification.
- Supply remains constrained following years of low expansion capex – 10 years to bring a copper mine into production
- ESG focus restricting new capex in to growth

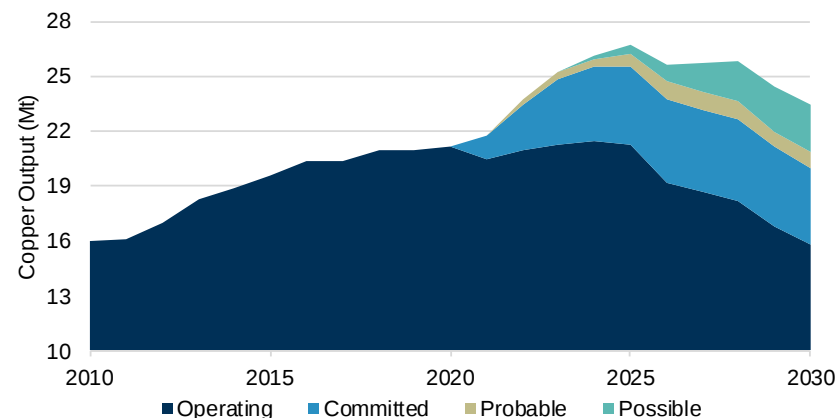
Examples

- Talon Metals: C\$180m Nickel developer in US, JV with Tesla
- ERO Copper: C\$1.3bn Copper miner Brazil
- Foran Mining: C\$1bn Copper mine developed in Canada

Chinese property sector outlook remains depressed – completions lagged new starts 2.5 yrs

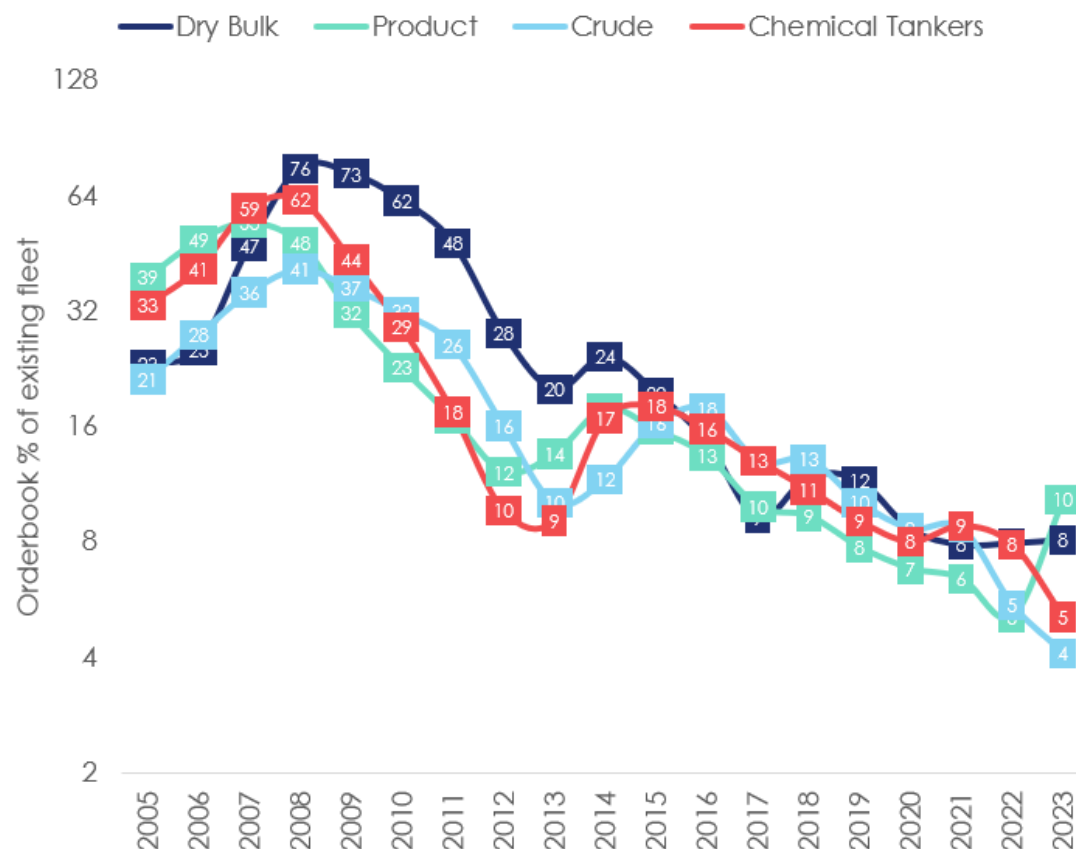


Global mined copper output to fall over 2025-30²



Shipping – 10.5%

Tanker and dry bulk orderbooks at lowest levels in decades



Summary

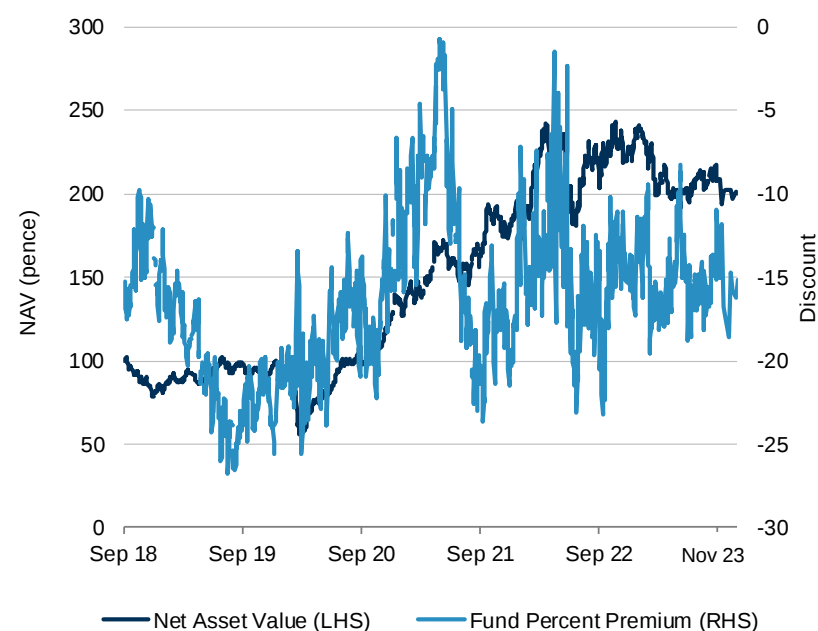
- Order book for new vessels at lowest on record
- Uncertainty on environmental requirements are constraining new orders
- Demand growth for Bunks, Oil and Gas to raise demand
- Strong FCF to lead to support high dividend pay outs
- IMO target cutting carbon emissions by 40% by 2030 – this will lead to slow steaming and more scrapping
- IMO 2020 ruling to lower sulphur fuel or scrubbers and the ballast water treatment policy to accelerate scrapping further
- Strong earnings and vessel value uplift to drive returns
- Examples: Euronav – Oil, BWLPG – Propane, 2020 Bulkiers and Goodbulk –dry bulk

Conclusion

The CQS Natural Resources fund aims to provide investors with capital growth and income

- Exposure for inflation protection
- Closed end structure enables a focus on valuation rather than liquidity – SMID cap at a discount/ higher beta
- We do not hold BHP, Rio, BP etc. – believe investors can do this themselves
- Supply constrained by years of underinvestment and ESG pressures
- Environmental focus delays capacity additions
- Fund at a discount to NAV despite strong sector fundamentals and performance

Discount to NAV



At a Glance: Multi-Sector Alternative Credit Platform

Years

20+

Managing research-driven credit strategies across multiple market cycles

AUM

\$15.6bn

Alternative credit strategies in public and semi-liquid markets, focused on long-term returns

Employees

~150

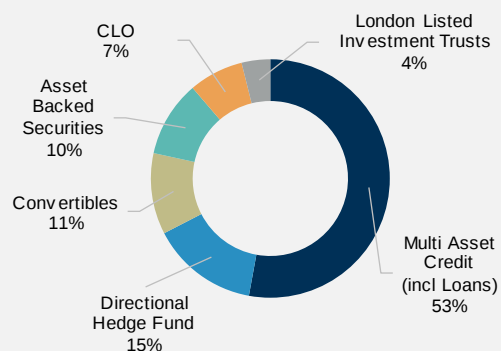
Headquartered in London with investment offices in New York & Hong Kong

Investment Professionals

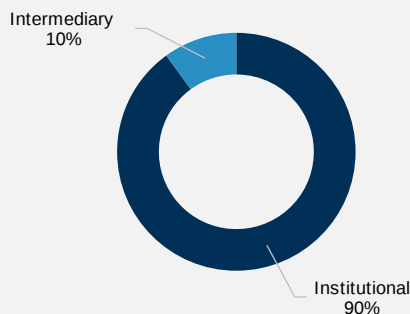
55+

Including a research team which supports all strategies in our investment platform

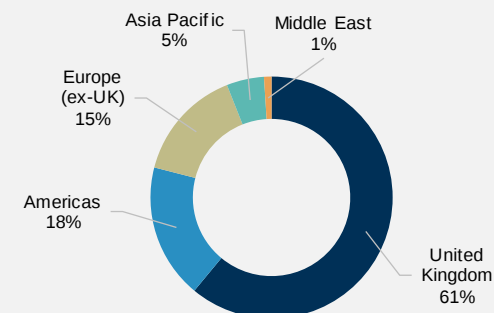
Asset Classes



Client Type



Client Domicile





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