Manulife | CQS
Investment Management

CQS Natural Resources
GROWTH AND INCOME PLC

**January 2025**

# CQS Natural Resources Growth and Income PLC

www.cynprotectyourinvestment.com


**Christopher Casey**
Chairman

**Robert Crayfourd, Keith Watson**
Portfolio Managers


# Important Information

**Past performance does not predict future returns. The value of investments, and the income from them, can go down as well as up and clients may get back less than the amount invested.**

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**Risk factors associated with investment trusts such as CQS Natural Resources Growth and Income plc (the Company)**

The value of investments and the income from them can fall and investors may get back less than the amount invested.

Past performance is not a guide to future results.

Investments in the Company may not be appropriate for investors who plan to withdraw their money within five years.

The Company may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the net asset value (NAV) meaning that any movement in the value of the Company's assets will result in a magnified movement in the NAV.

Movements in exchange rates will impact on both the level of income received and the capital value of your investment.

There is no guarantee that the market price of the Company's share will fully reflect their underlying net asset value.

As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.

**Any investment in the Company involves a high degree of risk, including the risk of loss of the entire amount invested. The value of investments can go down as well as up.**

**Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment and you are unlikely to be protected if something goes wrong.**

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# General Meeting

Requisitioned general meeting to be held at **11am on 4 February 2025** at the offices of Dentons UK and Middle East LLP at One Fleet Place, London, EC4M 7RA.

**Your proxy must be lodged by 11am on 31 January 2025**

Proposed Resolutions:
1. To remove the Board of Directors;
2. To appoint Saba nominees, Paul Kazarian and Marc Loughlin.

**The Board believes these proposals to be without merit, will introduce new and significant risk to your investment and are not in the best interests of ALL Shareholders.**

# CQS Natural Resources Growth and Income PLC (CYN) Response

**CYN**

✓ Strong performance, with 167.0% total return in NAV and 220.0% total return in share price since 2015.

✓ Portfolio managed by leading investors in the natural resources sector.

✓ Fully independent Board with extensive experience.

✓ In line with the highest standards of corporate governance, with an annual continuation vote which facilitates 100% cash return should that be the wish of the majority of Shareholders voting.

✓ Is committed to creating and preserving value for ALL Shareholders.

**SABA**

✗ Have failed to state how much cash they will return to Shareholders.

✗ Are expected to appoint themselves as manager, we believe for their own economic gain.

✗ Are expected to change your Company's investment policy to investing in other trusts for which no track record has been provided.

✗ Have failed to narrow the discounts of the funds that they have taken control of in the US.

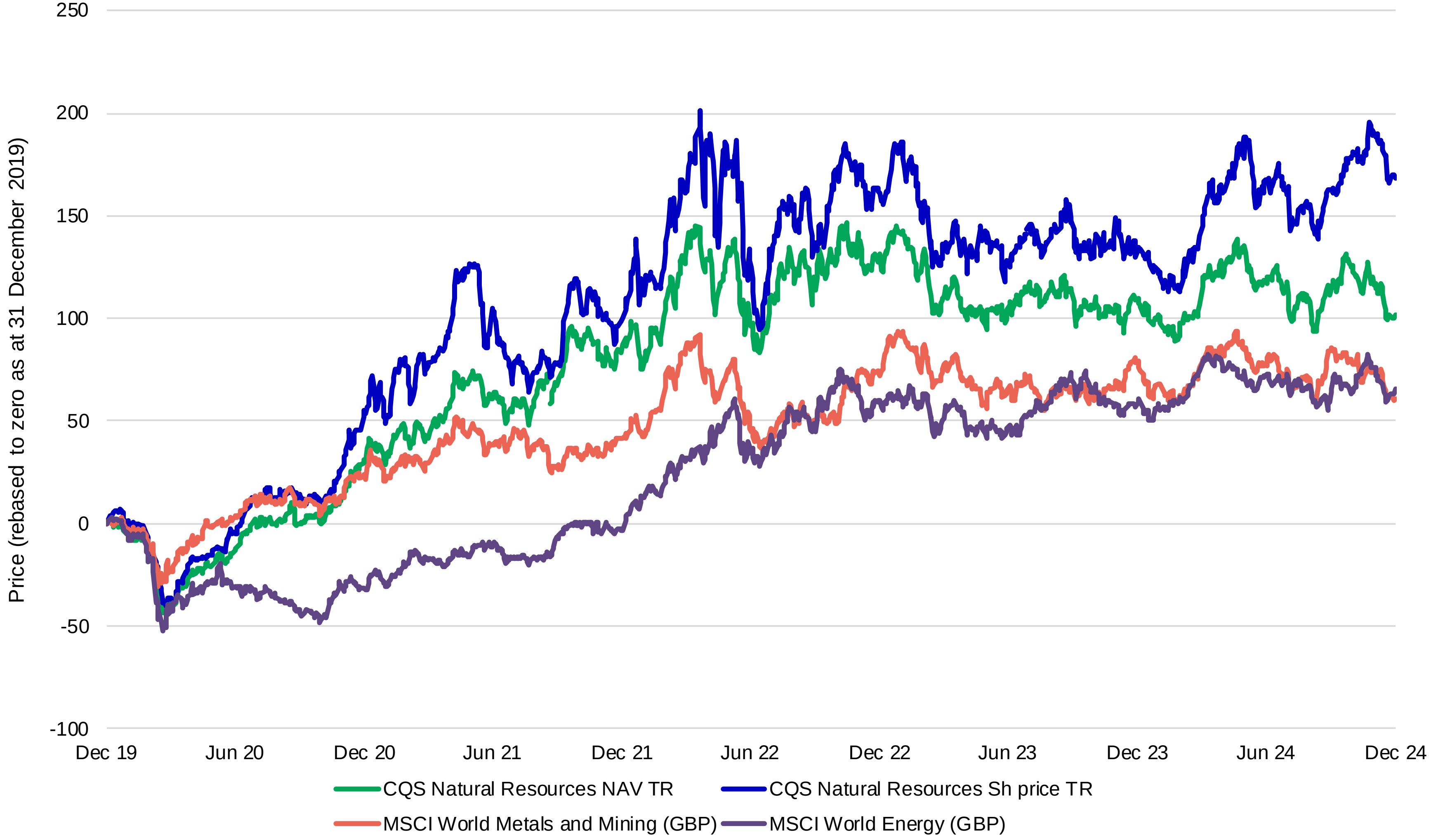
✗ Have proposed directors who we do not believe to be independent of Saba, with no apparent experience in natural resources or in directing investment trusts.

# Action from the Board: Board Review

The Board is currently reviewing all the options that are available to us to preserve value for all Shareholders, namely:

- Maintaining the current investment policy and management arrangements;
- Introducing an increased dividend, to be funded in part by capital growth;
- Pursuing further discount management mechanisms;
- Providing a full cash exit at NAV for all Shareholders; and
- If a suitable partner can be identified, look to provide an ongoing investment opportunity with a natural resources and energy focus, together with the option of a full cash exit at net asset value for all Shareholders.

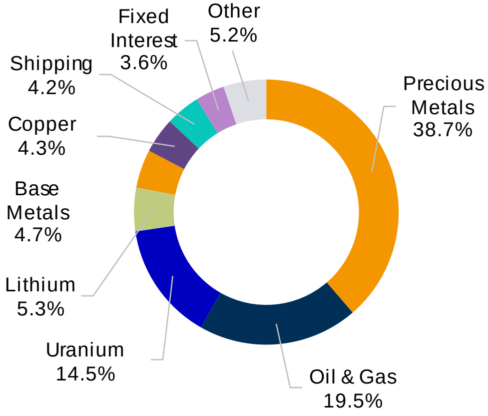
# CQS Natural Resources Versus Indices



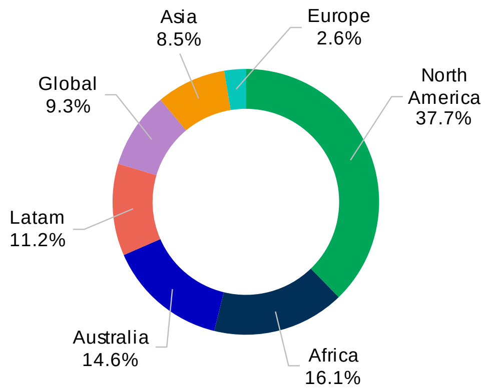

Source: Bloomberg as at 31 December 2024.

# Current Portfolio

## Breakdown by Asset Class[1]

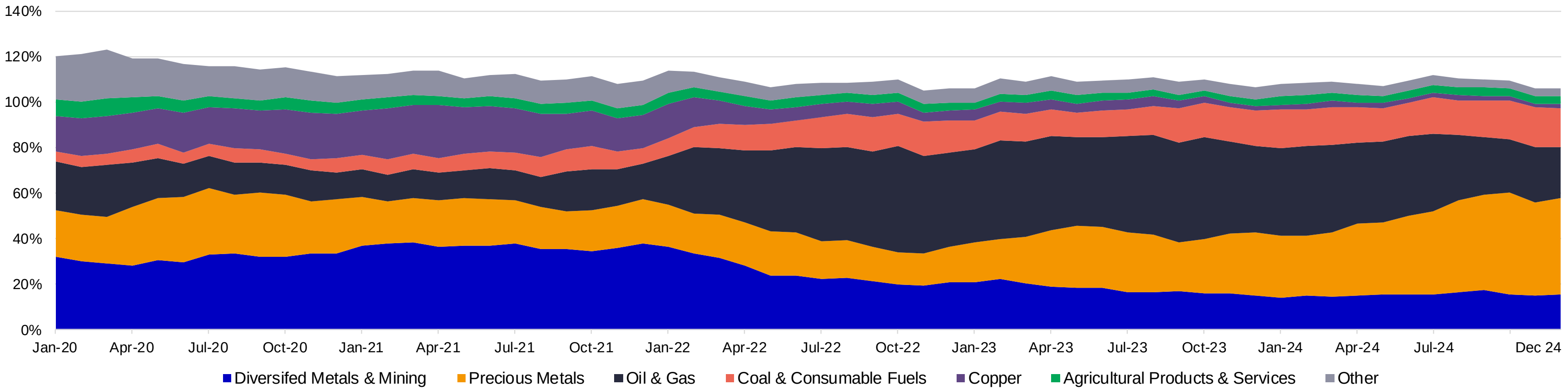



## Breakdown by Holdings[1]




- Actively managed allocation between commodities
- Currently large exposure to precious metal miners
- Low exposure to base metals
- Moderate exposure to energy, which also includes oil rigs and shipping
- High exposure to Uranium mining
- Zero exposure to iron ore

## Portfolio Exposure




Source: Manulife | CQS as at 31 December 2024. All holdings data are rounded to one decimal place.
**1** Exposures as at 29 November 2024.
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.

# Key Theme: Precious Metals – 39% of Fund
## Miners at Record Low Multiples

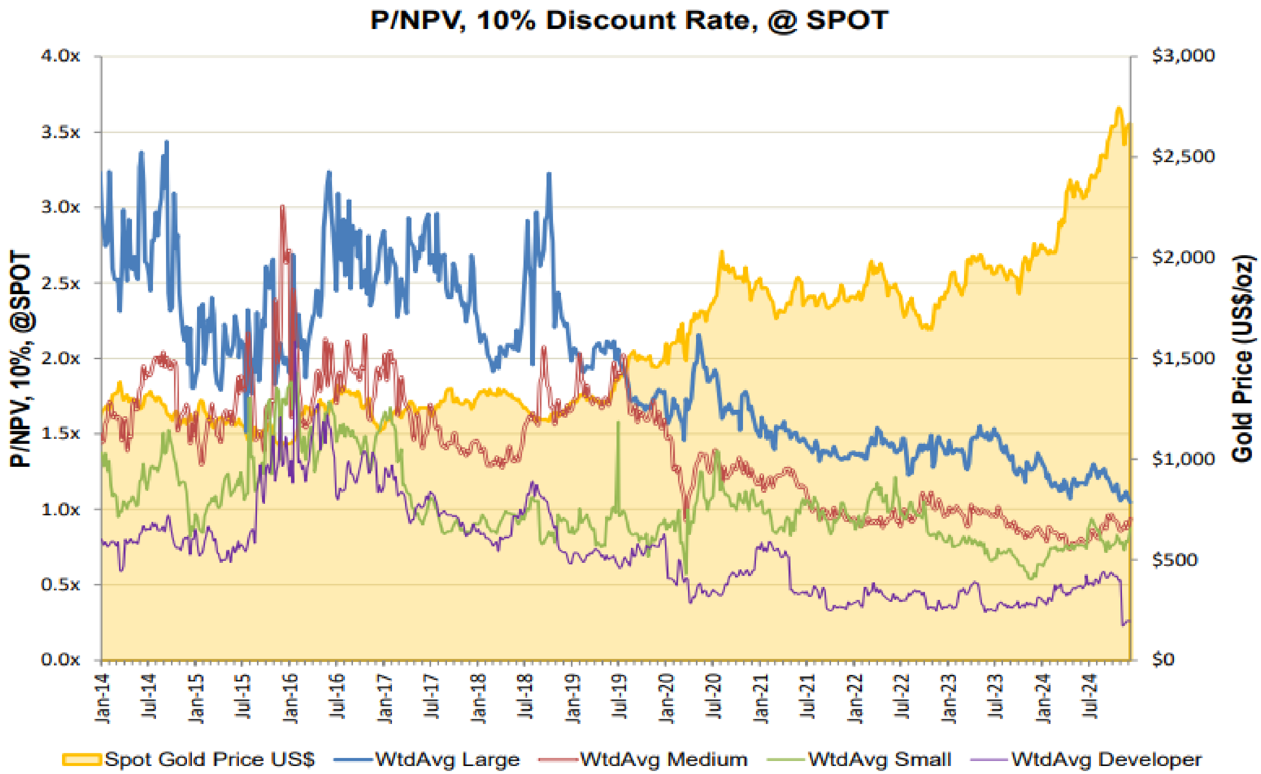
### Valuations

- Close to Lowest P/NAV's on record
- Higher gold price and easing cost pressures leading to record margins
- M&A – Larger producers have underspent on exploration and now need to acquire, 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 Price[1]




Source: Manulife | CQS as at 29 November 2024.
**1** BMO Capital Markets, Bloomberg, FactSet 'Materials – Precious Metals & Minerals' as at 23 December 2024

# Key Theme: Oil and Gas
20% of Fund

## Demand

- Oil demand continues to grow albeit at a slower rate
- Electric vehicle penetration is small but growing
- Renewables to push out coal not oil
- Gas essential in balancing higher grid variability from renewables
- Emerging market growth pushes out “peak oil” demand thesis

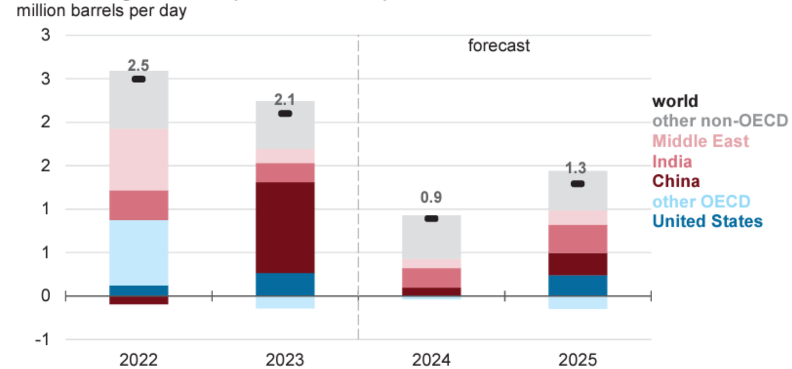
## Supply

- Producers remain disciplined – focused on capital returns
- US rig count points to plateauing production
- OPEC cuts to defend price – increasing risk
- Russian production likely to slow
- Sanctions on Iran and Venezuela may be reapplied
- New rigs and ships not being built

## Valuations

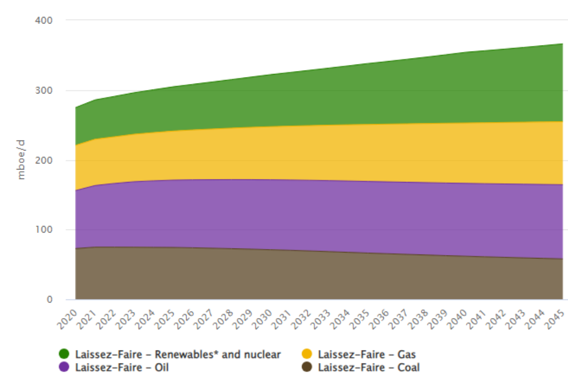
- Energy producers remain unloved with attractive valuations
- ESG factors have restricted institutional ownership
- Offshore rig owner - Transocean 3.1% of the Fund

## Oil demand continues to grow[1]
Driven by non-OECD demand growth



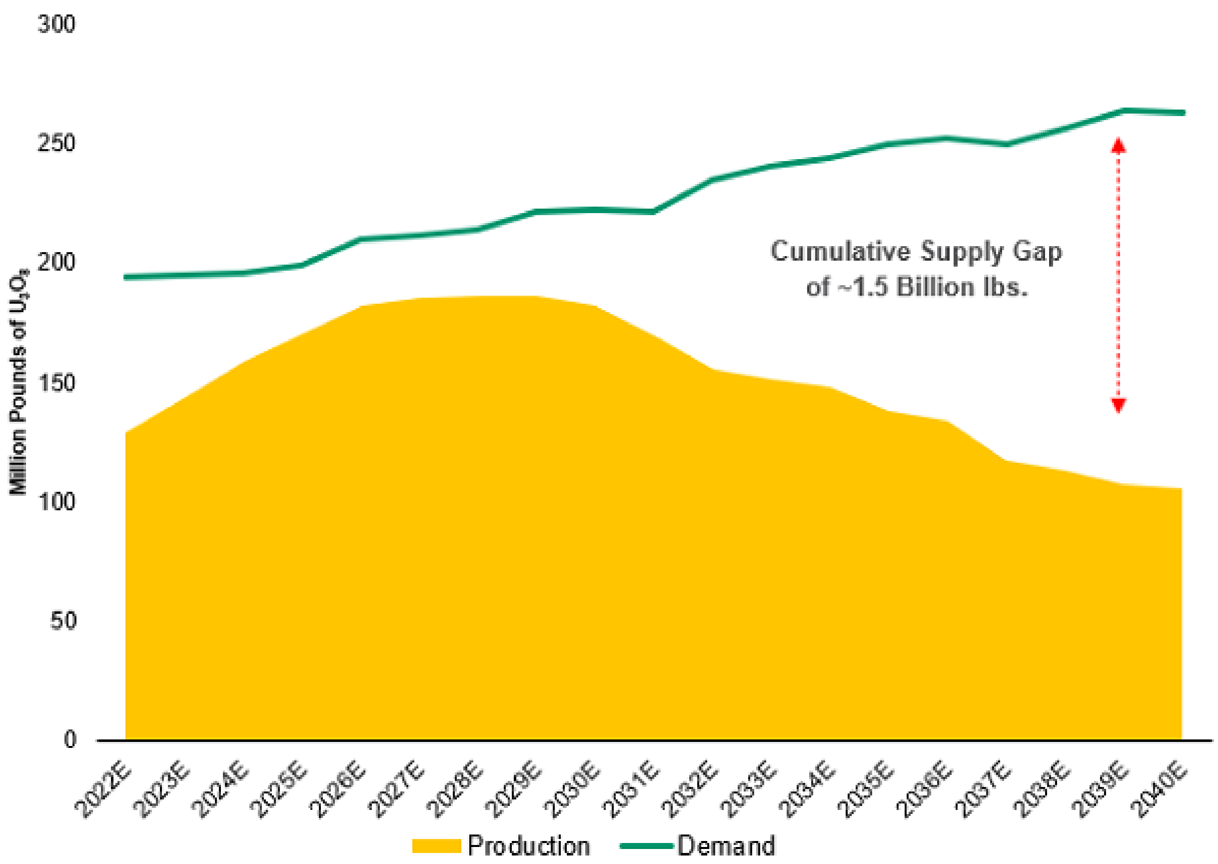

Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, December 2024

## Global primary energy demand in the Reference Case and in alternative scenarios, 2020-2045[2]




Source: Manulife | CQS as at 29 November 2024. **1** US Energy Information Administration; https://www.eia.gov/outlooks/steo/report/global_oil.php. **2** OPEC.org ‘Chapter 8: Energy scenarios’ Figure 8.1b – Laissez-Faire.
Note: Renewables include hydro, biomass and other renewables (e.g. wind, solar, geothermal).

# Key Theme: Uranium
## 14% of Fund: Zero Carbon Base Load Power




- Nuclear provides 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
- AI data centres look to add Nuclear

Source: Manulife | CQS as at 29 November 2024. Graph: Sprott Uranium Report ‘Strong Fundamentals Anchor Uranium's Rise’ and UxC LLC. Data estimates as of Q2 2023. World Nuclear Association as of 8/1/2023. Included for illustrative purposes only as at 14 September 2023.

# Base Metals: 5% of Fund (Iron Ore 0% of Fund)

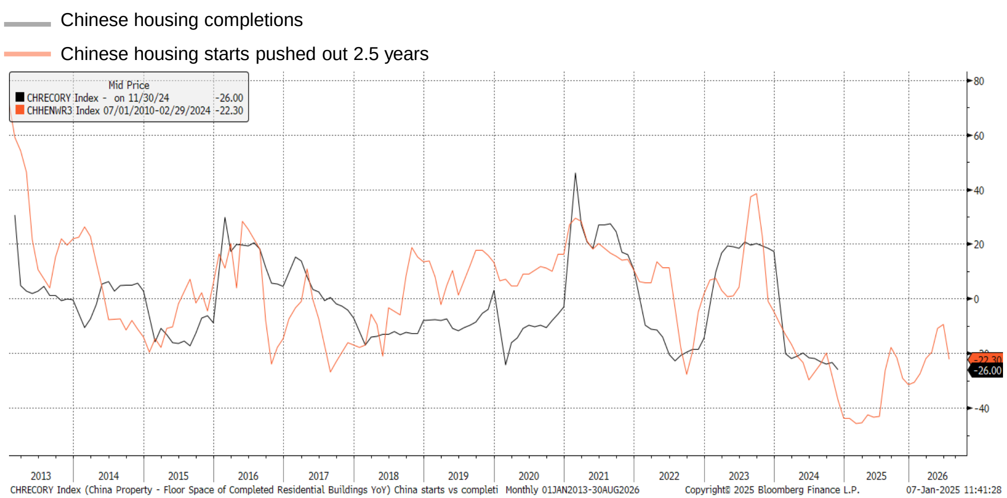
## Long term fundamentals are positive but near-term risks

- Chinese property slowdown weighing on demand – new starts down 70%
- Chinese demographics don't support a recovery in new starts
- Electrification trends are positive but don't yet offset Chinese property loss
- Long term - Supply growth constrained – 10 years to bring a copper mine into production

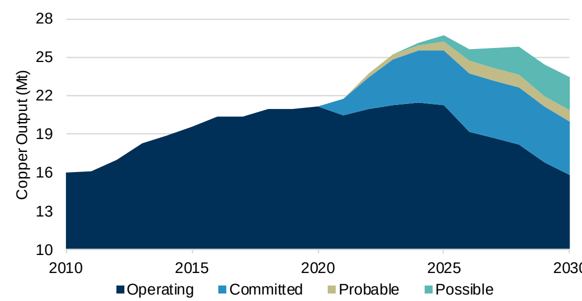
## Examples

- Prefer discounted developers over fully priced producers
- Majors to increase M&A
- E.g. Solaris Resources with a large copper development asset in Ecuador

## Chinese property sector outlook remains depressed – completions lagged new starts 2.5 yrs[1]




## Global mined copper output to fall over 2025-30[2]




Source: Manulife | CQS as at 29 November 2024. **1** Bloomberg as at 31 November 2024. **2** S&P Global Market Intelligence 'Copper project pipeline — Project shortage to see supply lag demand post-2025' as at 12 October 2021.

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# Further Information

- Risk to corporate democracy, Saba are seeking control of the company with less than 30% of voting rights.
- No “clear path” on strategy should Saba be successful.
- Proposed directors have no experience in the natural resources space and risk being over-boarded.
- CYN has seen strong performance, with 167.0% total return in NAV and 220.0% total return in share price since 2015.
- Portfolio managed by leading investors in the natural resources sector.
- Wealth Managers like Evelyn and Quilter are publicly opposing the vote

**The Board of Directors urges Shareholders to vote AGAINST Saba’s resolutions at the meeting on the 4th February.**

**Your proxy must be lodged by 11 a.m. on 31 January 2025**

More detail and how to vote on;

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**Contact:**

**www.cynprotectyourinvestment.com**

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