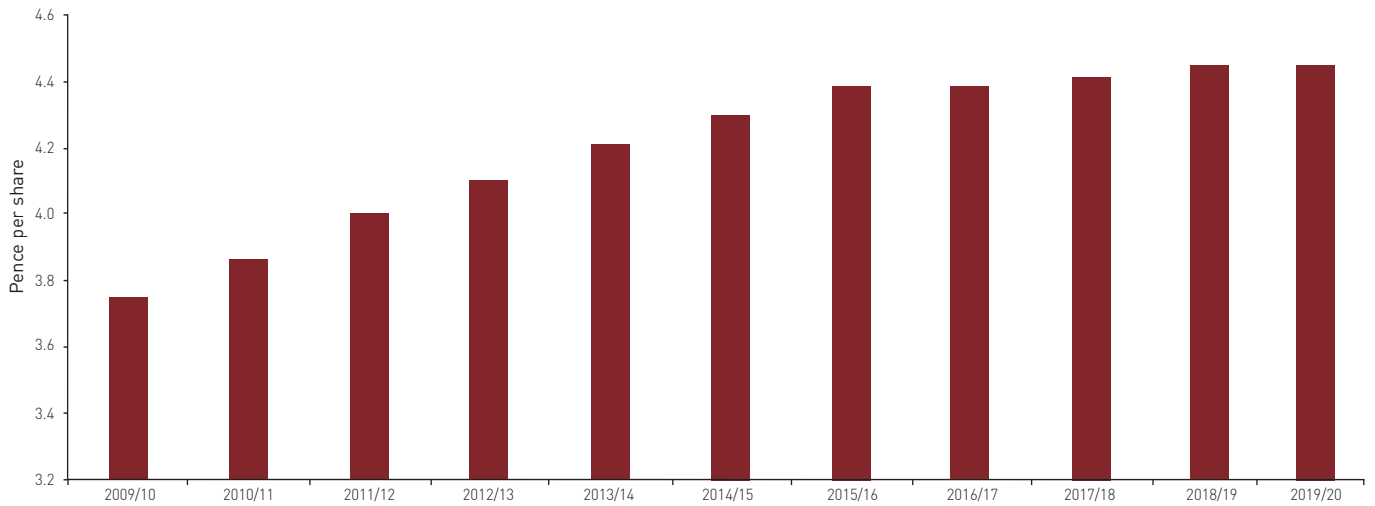

CQS NEW CITY
HIGH YIELD FUND
LIMITED

INTERIM REPORT

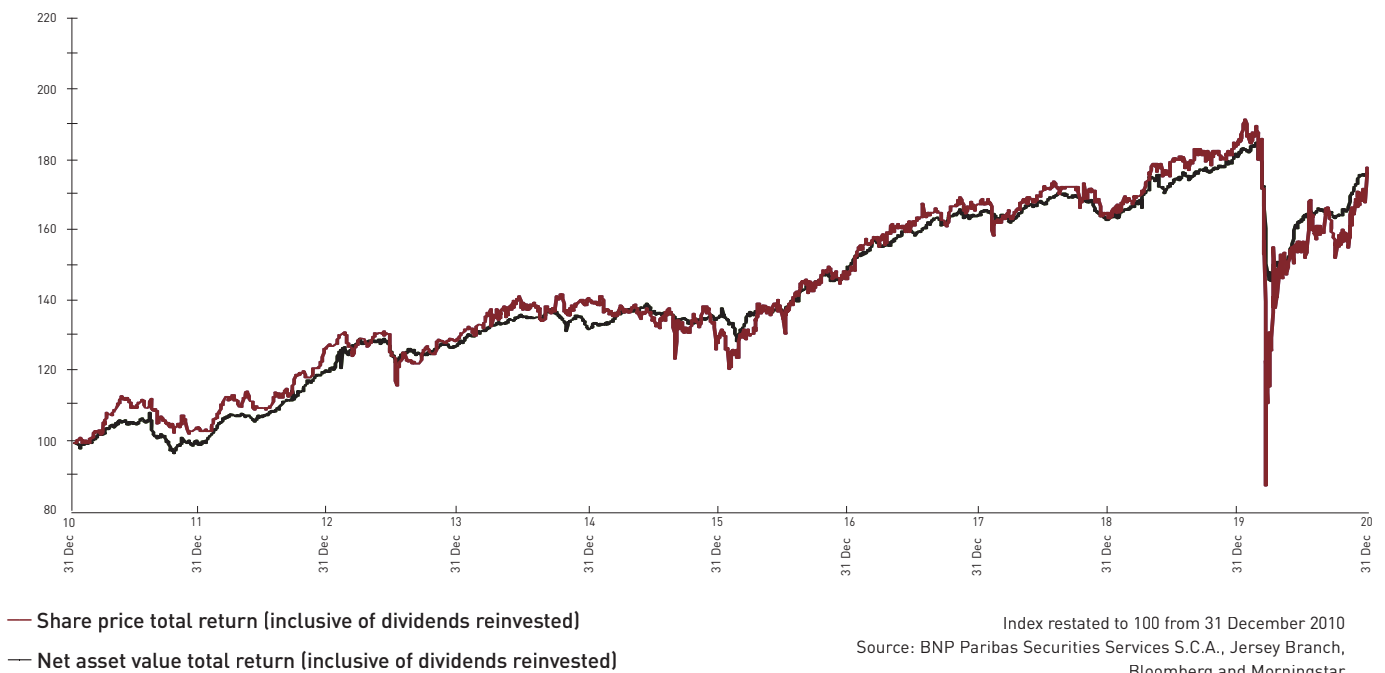
31 DECEMBER 2020

Dividends Declared in Respect of Each Financial Year



Source: Bloomberg

Net Asset Value Total Return and Share Price Total Return



Our Objective

To provide investors with a high dividend yield and the potential for capital growth by investing mainly in high yielding fixed interest securities.

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Financial Highlights and Dividend History

Total Return*	Six months to 31 December 2020	Six months to 31 December 2019
Net asset value	8.83%	4.62%
Ordinary share price	15.39%	3.18%

Capital Values	31 December 2020	30 June 2020	% change
Total assets less current liabilities (with the exception of the bank loan facility)	£246.27m	£236.68m	4.05%
Net asset value per ordinary share	48.88p	47.52p	2.87%
Share price (bid) ¹	52.00p	47.40p	9.70%

Revenue and Dividends	Six months to 31 December 2020	Six months to 31 December 2019	% change
Revenue earnings per ordinary share*	2.12p	2.24p	(5.36%)
Dividends per share*	2.00p	2.00p	0.00%

Other Highlights	31 December 2020	30 June 2020
Premium/(discount)*	6.38%	(0.25%)
Gearing*	14.02%	13.68%

Dividend History	Rate	xd date	Record date	Payment date
First interim 2021	1.00p	22 October 2020	23 October 2020	30 November 2020
Second interim 2021	1.00p	28 January 2021	29 January 2021	26 February 2021
Total	2.00p			
First interim 2020	1.00p	24 October 2019	25 October 2019	29 November 2019
Second interim 2020	1.00p	23 January 2020	25 January 2020	28 February 2020
Third interim 2020	1.00p	23 April 2020	24 April 2020	29 May 2020
Fourth interim 2020	1.46p	23 July 2020	24 July 2020	28 August 2020
Total	4.46p			

¹ Source: Bloomberg

* A glossary of the terms used can be found on page 20.

Statement from the Chair

Key points

- Net asset value total return of 8.83%
- Ordinary share price total return of 15.39%
- Dividend yield of 8.57%, based on dividends at an annualised rate of 4.46 pence and a share price of 52.00 pence at 31 December 2020
- Ordinary share price at a premium of 6.38% at 31 December 2020
- £1.70m of equity raised during the six months to 31 December 2020

Investment Performance

The six months to 31 December 2020 covered by this interim report have seen a welcome recovery from last March and April's Covid-19 market dislocation. Your Company had a net asset value total return of 8.83% for the period and, thanks to an increase in the share price premium, a share price total return of 15.39%. The Company's shares traded at a premium to their net asset value for most of the review period and as 31 December 2020 this stood at 6.38%, recovering from a slight discount of 0.25% at the start of the financial year. The average premium over the six months to 31 December 2020 was 1.64% and over three years 4.57%.

The market backdrop to your Company's results has been eventful with the Brexit endgame being played out, political turbulence in the United States and overriding everything the ongoing Covid-19 pandemic. Helped by massive amounts of government stimulus, the equity and bond markets have held up well, particularly towards the end of 2020. Ian Francis, your investment manager, discusses the six months in more detail in his review on page 4.

Earnings and Dividends

The Company's earnings per share were 2.12 pence for the six months, lower than the 2.24 pence earned in the same period last year, covering the dividends paid. The Company has declared two dividends of 1.00 pence so far in this financial period, maintaining the level of those declared in the same period in the past two years. In the absence of unforeseen circumstances, the Board expects to follow the same pattern of dividend payments as declared last year and maintain or slightly increase the total level of dividends for the year based on an annual rate of 4.46 pence and a share price of 50.92 pence at the time of writing, this represents a dividend yield of 8.76%.

Dividend payments are a critical aspect of the Company for shareholders and the Board continually assesses the Company's dividend policy, both in the immediate future and looking further out. In the current financial year, a dividend of at least the same as the previous year (4.46 pence) is likely to be covered by earnings. Should this not be the case, the Board is prepared to use a modest amount of reserves to make up a marginal shortfall and anticipates that this will be the most likely scenario for the next few years as well.

Gearing

The Company renewed its existing Scotiabank £35m loan facility in December 2020 with a one year £35m facility with the same bank at a current all-in rate of 1.39%. The facility is comparable to the one that it replaced. £33m was drawn down at 31 December 2020 which gave the Company an effective gearing rate of 14.02%. This is broadly similar to this time last year and the Board does not expect much fluctuation in this level.

Share Issuance

Taking advantage of the premium rating that the market continues to attach to your Company's shares, £1.7m was raised from new and existing shareholders during the six-month period, with 3.45m ordinary shares issued from the block listing facility. A further £1.5m has been raised since 31 December 2020. As well as a modest uplift in net asset value from any issue of shares, over time existing shareholders should benefit from lower ongoing charges and greater liquidity in the Company's shares.

Outlook

The Covid-19 pandemic continues to impact every part of the world to a greater or lesser extent. The roll out of vaccines is probably a 'game changer' but not an instant one given the administration logistics and new variants emerging. The impact of the virus, not least on government finances, will be felt for many years to come. From your Company's perspective, continued rigorous credit analysis on the issuers of the bonds held remains paramount as is seizing opportunities as they arise in the secondary markets. Your investment manager, Ian Francis, is an experienced professional with a strong team supporting him and he is adept at this. He shares his outlook on page 4.

Caroline Hitch

Chair

25 February 2021

4 Investment Manager's Review

Market and economic review

During the six-month period under review there was a marked divergence between the economic realities of the ongoing Covid-19 crisis and the performance of equity and bond markets. The Summer months saw a muted economic recovery as industrial and service sectors in the UK, Europe and the US reopened after their initial lockdowns. This recovery was abruptly stalled in the Autumn months as a second lockdown reared its ugly head and whole sectors in the hospitality and travel industries were forced to close again. The stock markets on the other hand have tried to look through the gloom and taking their cue from the vast amounts of fiscal stimulus unleashed by the major central banks, equities have powered ahead. The positive vaccine news towards the end of the year was another major fillip for the markets.

The political landscape had a turbulent period as well – in the UK we saw all the drama of the Brexit negotiations coming to a head on Christmas Eve with an agreement reached. Both sides claimed victory but the realities will be the innumerable small changes that will take place over the months and years ahead. Europe saw a range of responses to the Covid-19 crisis and a consensus recovery package was eventually agreed. The US was dominated by the tumultuous Presidential election and the subsequent Senate run-off elections which saw a Democratic majority across the political landscape. The US economy and markets are now concentrating on what the size and types of stimulus packages will be.

I wrote last Summer that “all that the vast amounts of funds being injected by the seemingly unlimited amounts of QE are doing is to move the level of markets away from the real economy, trying to keep companies and markets afloat until the economy can recover. This is a high risk strategy but definitely in line with the ‘whatever it takes’ world of Central Banks.” Six months on this statement still holds true – the major change being the prospect of a range of vaccines that will hopefully allow lockdowns to end.

Portfolio Review

We have continued to maintain a diversified portfolio across a range of sectors and have a good proportion of the portfolio in non-sterling currencies. The non-sterling exposure was 28.4% of the portfolio as at 31 December 2020. Turnover within the portfolio has remained low and we have seen a number of investments redeem their bonds either at their scheduled repayment date or earlier if the opportunity arose. Examples are the Balfour Beatty Convertible Preference Shares which repaid £4.12 million on 1 July and the Garfunkelex 11.5% and 8.5% bonds which were called. We have increased our position in Bracken Midco 8.875% 2023 (a specialist mortgage and finance provider).

We have not seen any further problems in the portfolio where bond issuers or equity companies have been unable to pay their coupons or dividends. We continue to monitor closely how companies recover as we come out of Covid-19 restrictions and, as we did in the global financial crisis, look for any opportunities as they arise.

For the six months to 31 December 2020 the revenue account earnings were 2.12p compared to 2.24p for the same period last year. In my regular discussions with shareholders the revenue and dividends are topics of crucial importance and the ability of any portfolio company to pay its coupon or expected dividend is one of the major indicators we follow.

With the inclusion of dividends paid the total net asset return for the six months to 31 December 2020 was a positive 8.83%.

Outlook

Markets have already rallied globally as they look through the pandemic. Where they go from here will be based on the speed and strength of each country's economy recovery rates.

In the UK we see a positive recovery from the very efficient vaccine roll out which is considerably ahead of our former EU partners. This means that our domestic economy is likely to recover well before most of Europe. How fast and in which areas will be decided by the government, along with our ability to travel abroad over the coming months. Brexit has so far been kept out of the news headlines, but evidence of many businesses' both large and small having to relocate part of their manufacturing in the EU in order to access markets, meaning the loss of jobs in the UK. Another big question mark is as yet there is no framework or agreement over financial services which is potentially troubling for the UK economy.

I will be working as usual over the forthcoming months to look after your portfolio and ensure that it is in the best possible position for whatever lies ahead.

Ian “Franco” Francis

25 February 2021

Classification of Investment Portfolio

By Currency	As at 31 December 2020 Total investments %	As at 31 December 2019 Total investments %	As at 30 June 2020 Total investments %
Sterling	70	73	73
US Dollar	19	20	19
Euro	10	6	7
Norwegian Krone	1	1	1
Total investments	100	100	100

By Asset Class	As at 31 December 2020 Total investments %	As at 31 December 2019 Total investments %	As at 30 June 2020 Total investments %
Bonds	84	77	82
Equity shares	15	20	13
Convertible Bonds	1	3	5
Total investments	100	100	100

By Level	As at 31 December 2020 Total investments %	As at 31 December 2019 Total investments %	As at 30 June 2020 Total investments %
Level 1 and Level 2*	95.4	95.5	96.2
Level 3*	4.6	4.5	3.8
Total investments	100.0	100.0	100.0

* As defined in note 8 Fair Value Hierarchy

Classification of Investment Portfolio by Sector

	Dec 2020 % of total investments	Dec 2019 % of total investments	Jun 2020 % of total investments
Financials	47.6	46.9	48.6
Energy	13.5	14.4	14.6
Industrials	12.0	10.2	9.4
Consumer Discretionary	7.4	8.0	7.5
Consumer Staples	7.4	7.2	7.1
Real Estate	6.1	7.1	6.2
Materials	3.8	4.4	4.4
Information Technology	2.2	1.8	2.2
Total investments	100.0	100.0	100.0

Investment Portfolio

As at 31 December 2020

Company	Sector	Valuation £'000	Total Investments %
Virgin Money 8% PERP	Financials	13,056	5.4
Galaxy Finco Ltd 9.25% 31/07/2027	Financials	11,920	5.0
OneSavings Bank FRN PERP	Financials	9,835	4.1
Punch Taverns 7.75% 30/12/2025	Consumer Discretionary	9,064	3.8
Shawbrook Group FRN PERP	Financials	8,178	3.4
Bracken Midco 8.875% 15/10/2023	Financials	7,421	3.1
Just Group Plc 8.125% 26/10/2029	Financials	7,398	3.1
Aggregated Micro 8% 17/10/2036	Energy	7,154	2.9
Co-Operative Finance 25/04/2029 FRN	Financials	6,971	2.9
Rea Finance 8.75% 31/08/2020	Consumer Staples	6,214	2.6
Top ten investments		87,211	36.3
Raven Russia 12% PREF	Real Estate	6,193	2.6
Just Group Plc FRN PERP	Financials	6,167	2.6
Iceland Bondco 6.75% 15/07/2024	Consumer Staples	6,093	2.5
Euronav Luxembourg SA 7.5% 31/05/2022	Energy	5,776	2.4
American Tan 7.75% 02/07/2025	Industrials	5,517	2.3
Algeco Global Finance 2 10% 15/08/2023	Industrials	5,218	2.2
Virgin Money 8.75% PERP	Financials	4,418	1.8
Deutsche Bank AG FRN PERP	Financials	3,950	1.6
VPC Specialty Lending Investments Plc	Financials	3,920	1.6
Welltec A/S 9.5% 01/12/2022	Energy	3,755	1.6
Top twenty investments		138,218	57.5
Barclays Plc FRN PERP	Financials	3,713	1.5
Lloyds Banking FRN PERP	Financials	3,421	1.4
Bombardier Inc 7.5% 15/03/2025	Industrials	3,350	1.4
Permanent TSB FRN PERP	Financials	3,345	1.4
Euronav NV	Energy	3,305	1.4
Rea Holdings Plc PREF	Consumer Staples	3,285	1.4
Diversified Gas & Oil Plc	Energy	3,278	1.4
Stonegate Pub 8.25% 31/07/2025	Consumer Discretionary	3,024	1.3
Channel Islands Property Fund	Financials	2,940	1.2
Tizir Ltd 9.5% 19/07/2022	Materials	2,886	1.2
Top thirty investments		170,765	71.1
Unique Pub Finance 7.395% 28/03/2024	Financials	2,849	1.2
Gran Colombia 8.25% 30/04/2024	Materials	2,807	1.2
RM Secured Direct Lending Plc	Financials	2,752	1.1
SB Holdco Plc FRN 13/07/2022	Consumer Discretionary	2,727	1.1
Matalan Finance 31/01/2024	Consumer Discretionary	2,721	1.1
Hawk Debtco Limited 10.5% 22/12/2024	Industrials	2,696	1.1
First Quantum 7.5% 01/04/2025	Materials	2,593	1.1
Shamara 12% 05/07/2023	Energy	2,590	1.1
HDL Debenture 10.375% 31/07/2023	Financials	2,373	1.0
Casino Guichard 31/01/2049 FRN	Industrials	2,283	1.0
Top forty investments		197,156	82.1
Azerion Holdings 17/03/2023 FRN	Information Technology	2,271	0.9
Borealis Finance 7.5% 16/11/2022	Industrials	2,181	0.9
Yew Grove REIT Plc	Real Estate	2,176	0.9
Lloyds Banking FRN PERP	Financials	2,149	0.9
Doric Nimrod Air Three Ltd	Industrials	2,127	0.9
SQN Secured Income Fund Plc	Financials	2,085	0.9
Premier Oil Plc 5% 31/05/2021	Energy	1,885	0.8
OakNorth Bank 01/06/2028 FRN	Financials	1,860	0.8
Stobart Finance 2.75% 08/05/2024 CV	Industrials	1,770	0.7
Newriver REIT Plc	Real Estate	1,559	0.6
Top fifty investments		217,219	90.4

Company	Sector	Valuation £'000	Total Investments %
Otiga Group FRN 08/07/2022	Consumer Staples	1,465	0.6
Independent Oil 20/09/2024 FRN	Energy	1,449	0.6
Bluewater Hold 10% 28/11/2023	Industrials	1,388	0.6
Veritas US/BM 7.5% 01/02/2023	Information Technology	1,348	0.6
Aew UK REIT Plc	Real Estate	1,298	0.5
Regional REIT Ltd	Real Estate	1,207	0.5
Altice Financing 7.5% 15/05/2026	Information Technology	1,160	0.5
House of HR 7.5% 15/01/2027	Industrials	1,084	0.5
Hurricane Energy 7.5% 24/07/2022 CV	Energy	974	0.4
Palace Capital Plc	Real Estate	944	0.4
Top sixty investments		229,536	95.6
Tufton Oceanic Assets Ltd	Financials	893	0.4
Navigator Holdings 8% 10/09/2025	Energy	755	0.3
Urban Logistics REIT Plc	Real Estate	749	0.3
Just Group Plc	Financials	698	0.3
Oilflow SPV 12% 13/01/2022	Energy	676	0.3
NT Rig Holdco 12% 20/12/2021	Financials	667	0.3
Rea Holdings Plc 7.5% 30/06/2022	Consumer Staples	629	0.3
JPI Media Group Senior Notes (Facility B)	Industrials	593	0.2
Croma Security Solutions Group	Information Technology	579	0.2
Hoist Finance AB 31/12/2060 PERP	Financials	552	0.2
Top seventy investments		236,327	98.4
Other investments (21)		3,982	1.6
Total investments		240,309	100.0

Notes:

CV – Convertible Bond
FRN – Floating Rate Note
PERP – Perpetual

PREF – Preference Shares
REIT – Real Estate Investment Trust

Top Ten Largest Holdings

As at 31 December 2020

	Valuation 30 June 2020 £'000	Purchases £'000	Sales £'000	(Depreciation)/ appreciation £'000	Valuation 31 December 2020 £'000
Virgin Money FRN PERP A British banking company concentrating on UK Retail and SME regional banking services.	9,945	1,373	-	1,738	13,056
Galaxy Finco Ltd 9.25% 31/07/2027 A specialist provider of warranties for consumer electric products.	10,916	-	-	1,004	11,920
OneSavings Bank Plc 9.125% FRN Perpetual A British banking company specialising in residential, buy to let and commercial mortgages.	5,359	3,790	-	686	9,835
Punch Taverns 7.75% 30/12/2025 A public house operator in the United Kingdom.	10,427	-	-	(1,363)	9,064
Shawbrook Group 7.875% FRN PERP A British multinational banking and financial services company.	7,556	-	-	622	8,178
Bracken Midco 8.875% 15/10/2023 A special purpose entity formed for issuing debt securities to repay existing credit facilities, refinance indebtedness, and for acquisition purposes.	4,465	2,032	-	924	7,421
Just Group plc 8.125% 26/10/2029 A British company specialising in retirement products and services.	6,597	-	-	801	7,398
Aggregated Micro 8% 17/10/2036 A British company using small scale, established technologies to convert wood and waste into energy in the form of heat and electricity.	7,081	-	-	73	7,154
Co-Operative Finance 25/04/2029 FRN A retail and commercial bank in the United Kingdom.	6,686	-	-	285	6,971
Rea Finance 8.75% 31/08/2025 Cultivator of oil palms and production of crude palm oil and palm products.	6,214	-	-	-	6,214
	75,246	7,195	-	4,770	87,211

Condensed Statement of Comprehensive Income

For the six months ended 31 December 2020

9

Notes	Six months ended 31 December 2020 (Unaudited)			Six months ended 31 December 2019 (Unaudited)			Year ended 30 June 2020 (Audited)			
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	
Net capital gains/(losses)										
	Net gain/(loss) on financial assets									
assets designated at fair value	8	-	7,665	7,665	-	1,420	1,420	-	(33,398)	(33,398)
Foreign exchange loss		-	(20)	(20)	-	(149)	(149)	-	(97)	(97)
Revenue										
Income	3	10,659	-	10,659	10,936	-	10,936	22,625	-	22,625
Total income		10,659	7,645	18,304	10,936	1,271	12,207	22,625	(33,495)	(10,870)
Expenses										
Investment management fee	4	(704)	(235)	(939)	(771)	(257)	(1,028)	(1,477)	(492)	(1,969)
Other expenses	5	(435)	(5)	(440)	(366)	(38)	(404)	(745)	(40)	(785)
Total expenses		(1,139)	(240)	(1,379)	(1,137)	(295)	(1,432)	(2,222)	(532)	(2,754)
Profit/(loss) before finance costs and taxation		9,520	7,405	16,925	9,799	976	10,775	20,403	(34,027)	(13,624)
Finance costs										
Interest income		-	-	-	10	-	10	12	-	12
Interest expense	6	(145)	(48)	(193)	(210)	(70)	(280)	(418)	(139)	(557)
Profit/(loss) before taxation		9,375	7,357	16,732	9,599	906	10,505	19,997	(34,166)	(14,169)
Irrecoverable withholding tax		(168)	-	(168)	(108)	-	(108)	(331)	-	(331)
Profit/(loss) after taxation and total comprehensive income/(loss)		9,207	7,357	16,564	9,491	906	10,397	19,666	(34,166)	(14,500)
Basic and diluted earnings per ordinary share (pence)	7	2.12	1.69	3.81	2.24	0.21	2.45	4.59	(7.98)	(3.39)

The total column of this statement represents the Company's Condensed Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

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

No operations were acquired or discontinued during the period.

There is no other comprehensive income as all income is recorded in the Condensed Statement of Comprehensive Income above.

The accompanying notes on page 13 to 18 are an integral part of these condensed financial statements.

Condensed Statement of Financial Position

As at 31 December 2020

	Notes	As at 31 December 2020 (Unaudited) £'000	As at 31 December 2019 (Unaudited) £'000	As at 30 June 2020 (Audited) £'000
Non-current assets				
Financial assets	8	240,309	255,451	230,741
Current assets				
Debtors and other receivables		3,405	4,250	9,882
Cash and cash equivalents		3,090	7,382	2,853
		6,495	11,632	12,735
Total assets		246,804	267,083	243,476
Current liabilities				
Bank loan	6	(33,000)	(31,000)	(31,000)
Creditors and other payables		(531)	(495)	(6,797)
Total liabilities		(33,531)	(31,495)	(37,797)
Net asset value		213,273	235,588	205,679
Stated capital and reserves				
Stated capital account	9	198,745	193,452	197,037
Special distributable reserve		50,385	50,385	50,385
Capital reserve		(52,268)	(24,653)	(59,725)
Revenue reserve		16,511	16,404	17,982
Equity shareholders' funds		213,273	235,588	205,679
Net asset value per ordinary share (pence)	10	48.88p	55.22p	47.52p

The condensed financial statements on pages 9 to 18 were approved by the Board of Directors and authorised for issue on 25 February 2021 and were signed on its behalf by:

Caroline Hitch
Chair

The accompanying notes on page 13 to 18 are an integral part of these condensed financial statements.

Condensed Statement of Changes in Equity

11

For the six months ended 31 December 2020 (Unaudited)

	Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 1 July 2020		197,037	50,385	(59,725)	17,982	205,679
Total comprehensive income for the period:						
Profit for the period		-	-	7,357	9,207	16,564
Transactions with shareholders recognised directly in equity:						
Dividends paid	11	-	-	-	(10,678)	(10,678)
Net proceeds from issuance of ordinary shares	9	1,708	-	-	-	1,708
At 31 December 2020		198,745	50,385	(52,368)	16,511	213,273

For the six months ended 31 December 2019 (Unaudited)

	Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 1 July 2019		191,007	50,385	(25,559)	17,294	233,127
Total comprehensive income for the period:						
Profit for the year		-	-	906	9,491	10,397
Transactions with owners recognised directly in equity:						
Dividends paid	11	-	-	-	(10,381)	(10,381)
Net proceeds from issue of shares	9	2,445	-	-	-	2,445
At 31 December 2019		193,452	50,385	(24,653)	16,404	235,588

For the year ended 30 June 2020 (Audited)

	Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 1 July 2019		191,007	50,385	(25,559)	17,294	233,127
Total comprehensive (loss)/income for the year:						
(Loss)/profit for the year		-	-	(34,166)	19,666	(14,500)
Transactions with owners recognised directly in equity:						
Dividends paid	11	-	-	-	(18,978)	(18,978)
Net proceeds from issuance of ordinary shares		6,030	-	-	-	6,030
At 30 June 2020		197,037	50,385	(59,725)	17,982	205,679

The accompanying notes on page 13 to 18 are an integral part of these condensed financial statements.

Condensed Cash Flow Statement

For the six months ended 31 December 2020

Notes	Six months ended 31 December 2020 (Unaudited) £'000	Six months ended 31 December 2019 (Unaudited) £'000	Year ended 30 June 2020 (Audited) £'000
Operating activities			
Profit/(loss) before finance costs and taxation	16,925	10,775	(13,624)
Adjustments to reconcile (loss)/profit before tax to net cash flows:			
Realised loss on financial assets designated at fair value through profit or loss	8 6,753	2,719	2,766
Unrealised (gain)/loss on financial assets designated at fair value through profit or loss	8 (14,418)	(4,139)	30,632
Effective interest adjustment	8 (174)	(72)	(162)
Foreign exchange loss	20	149	97
Purchase of financial assets designated at fair value through profit or loss ¹	(32,606)	(63,259)	(86,268)
Proceeds from sale of financial assets designated at fair value through profit or loss ²	31,582	60,667	73,197
Changes in working capital			
(Increase)/decrease in other receivables	(43)	(64)	824
Increase in other payables	(451)	227	478
Irrecoverable withholding tax paid	(168)	(108)	(331)
Net cash inflow from operating activities	7,420	6,895	7,609
Financing activities			
Dividends paid	11 (10,678)	(10,381)	(18,978)
Drawdown of bank loan	6 2,000	3,000	3,000
Finance costs	(193)	(265)	(548)
Net proceeds from issuance of ordinary shares	9 1,708	2,445	6,030
Net cash outflow from financing activities	(7,163)	(5,201)	(10,496)
Increase/(decrease) in cash and cash equivalents	257	1,694	(2,887)
Cash and cash equivalents at the start of the period	2,853	5,837	5,837
Foreign exchange loss	(20)	(149)	(97)
Cash and cash equivalents and the end of the period	3,090	7,382	2,853

¹ - Amounts due to brokers as at 31 December 2020 relating to purchases of financial assets designated at fair value through profit amounted to £244,000 (31 December 2019: £nil; 30 June 2020: £6,059,000).

² - Amounts due from brokers as at 31 December 2020 relating to sales of financial assets designated at fair value through profit amounted to £nil (31 December 2019: £nil; 30 June 2020: £6,520,000).

The accompanying notes on page 13 to 18 are an integral part of these condensed financial statements.

1. General Information

The Company was incorporated as a closed-end investment company with limited liability in Jersey under the Companies (Jersey) Law 1991 on 17 January 2007, with registered number 95691. The Company's ordinary shares were admitted to the Official List as maintained by the Financial Conduct Authority and admitted to trading on the Main Market of the London Stock Exchange on 7 March 2007.

The Company's registered address is IFC1, The Esplanade, St Helier, Jersey, JE1 4BP.

2. Accounting policies

2.1 Basis of Preparation

The Annual Report and Financial Statements is prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with International Financial Reporting Standards ("IFRS") as adopted by the European Union which comprise standards and interpretations approved by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Standards and Standing Interpretations Committee as approved by the International Accounting Standards Committee which remain in effect. The Annual Report and Financial Statements are also prepared in accordance with the guidance set out in the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies (the "AIC SORP") in November 2014 and updated in January 2017, March 2018 and October 2019 with consequential amendments where this does not conflict with IFRS. The Interim Report has been prepared in accordance with International Accounting Standards (IAS) 34 – Interim Financial Reporting ("IAS 34") as adopted by the European Union. They have also been prepared using the same accounting policies applied for the year ended 30 June 2020 Annual Report and Financial Statements, which was prepared in accordance with IFRS, except for new standards and interpretations adopted by the Company as set out below. The Company has also prepared the condensed interim financial statements in line with the updated AIC SORP where this does not conflict with IFRS. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards and amendments to existing standards effective for annual periods beginning on or after 1 January 2020

The Company applies for the first time IFRS 3 Business Combinations (amendment) and Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) which all became effective on 1 January 2020. The Directors do not expect that the adoption of standards listed above will have a material impact on the financial statements of the Company in future periods.

Definition of Material (Amendments to IAS 1 and IAS 8)

The International Accounting Standards Board has redefined its definition of material, issued practical guidance on applying the concept of materiality and issued proposals focused on the application of materiality to disclosure of other accounting policies. The amendments do not have a material impact on the Company's financial statements.

Several other amendments and interpretations apply for the first time in 2020, but these do not have an impact on the condensed financial statements.

2.2 Going concern

The condensed financial statements have been prepared on the going concern basis. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2.3 Segmental reporting

No segmented reporting is provided as the Board, as the Chief Operator Decision Maker (with advice from the Investment Manager), are of the opinion that the Company is engaged in a single segment of business of investing in debt and, to a significantly lesser extent, equity securities.

2.4 Seasonality

The Company's business is not subject to seasonal fluctuations.

3. Income

	Six months ended 31 December 2020 (Unaudited) £'000	Six months ended 31 December 2019 (Unaudited) £'000	Year ended 30 June 2020 (Audited) £'000
Income from investments			
Dividend income	1,634	1,842	2,668
Interest on fixed interest securities	9,025	9,094	19,957
Total income	10,659	10,936	22,625

Notes to the Financial Statements (continued)

4. Investment Management Fee

The Company's investment manager is CQS (UK) LLP ("CQS") which has delegated this function to New City Investment Managers.

As per the Investment Management Agreement dated 18 September 2019, the management fee is charged at a rate of 0.8% per annum on the Company's total assets (being total assets less current liabilities (other than bank borrowings and ignoring any taxation which is or may be payable by the Company)) up to £200 million, 0.7% per annum of Assets in excess of £200 million and up to and including £300 million and 0.6% per annum thereafter. The management fee is paid monthly in arrears.

The contract between the Company and CQS (UK) LLP may be terminated by either party giving not less than 12 months' notice of termination.

During the six months period ended 31 December 2020, investment management fees of £939,000 were incurred (six months ended 31 December 2019: £1,028,000; year ended 30 June 2020: £1,969,000), of which £162,000 was payable at the period end (six months ended 31 December 2019: £344,000; year ended 30 June 2020: £602,000). Investment management fees have been allocated 75% to revenue and 25% to capital.

5. Other Expenses

During the six months ended 31 December 2020 the Company's other expenses were £440,000 (six months ended 31 December 2019: £404,000; year ended 30 June 2020: £785,000).

Secretarial and administration fees

Secretarial and administration fees incurred during the six months ended 31 December 2020 were £103,000 (six months ended 31 December 2019: £106,000; year ended 30 June 2020: £202,000).

Directors' fees

On 22 May 2019, the Board approved an increased level of remuneration for the Directors from £146,750 (Chair: £37,500; Audit Chair: £31,250 and other directors: £26,000) to £157,000 with annual effect from 1 July 2019 as follows:

Chair	£40,000
Audit Chair	£34,000
Other	£27,500

The Board has not approved any change in remuneration during the period ended 31 December 2020.

Directors fees for the six months ended 31 December 2020 were £78,000 (six months ended 31 December 2019: £78,000; year ended 30 June 2020: £157,000).

Audit fees and non-audit fees paid to the auditor

Audit fees for the six months ended 31 December 2020 were £22,000 (six months ended 31 December 2019: £19,000; year ended 30 June 2020: £45,000).

There were no non-audit fees paid to the auditor during the period ended 31 December 2020 (six months period ended 31 December 2019: £nil; year ended 30 June 2020: £nil).

6. Bank loan and finance costs

	Six months ended 31 December 2020 (Unaudited) £'000	Six months ended 31 December 2019 (Unaudited) £'000	Year ended 30 June 2020 (Audited) £'000
Bank Loan facility – opening balance	31,000	28,000	28,000
Drawdowns	2,000	3,000	3,000
Bank Loan facility – closing balance	33,000	31,000	31,000

The Company has a short term unsecured loan facility with Scotiabank Europe Plc ("Scotiabank"). The facility is due to expire on 18 December 2021 after which it is anticipated the Company will take out a new facility on comparable terms.

On 18 December 2020, the Company drew down a further £2,000,000. As at 31 December 2020, the unsecured loan facility had a limit of £35,000,000 of which £33,000,000 was drawn down at an interest rate of 1.38700%, which is made up of LIBOR plus a margin rate.

The current loan facility was renewed on 18 December 2020 on the same terms as applied to the previous facility that expired on the 18 December 2020. During the six months ended 31 December 2020 the covenants of the loan facility have been met. The following are the covenants for the facility held as at 31 December 2020:

- the borrower shall not permit the adjusted asset coverage to be less than 4 to 1
- the borrower shall not permit the net asset value to be less than £95,000,000 at any time
- the borrower shall maintain an additional adjusted asset coverage of at least 1.5 to 1 at all times

The loan facility is rolled over every three months and can be cancelled at any time

During the six months ended 31 December 2020, the Company incurred interest expense of £193,000 (six months ended 31 December 2019: £280,000; year ended 30 June 2020: £557,000) and received interest of £nil (six months ended 31 December 2019: £10,000; 30 June 2020: £12,000).

7. Earnings per ordinary share

Earnings per ordinary share	Revenue (pence)	Capital (pence)	Total (pence)
for the six months ended 31 December 2020	2.12p	1.69p	3.81p
for the six months ended 31 December 2019	2.24p	0.21p	2.45p
for the year ended 30 June 2020	4.59p	(7.98)p	(3.39)p

The revenue earnings per ordinary share for the six months ended 31 December 2020 is based on the net profit after taxation of £9,207,000 (six months ended 31 December 2019: £9,491,000; year ended 30 June 2020: £19,666,000) and on a weighted average of 434,967,075 (six months ended 31 December 2019: 424,861,641; year ended 30 June 2020: 428,002,951) ordinary shares in issue throughout the period.

The capital return per ordinary share for the six months ended 31 December 2020 is based on a net capital gain of £7,357,000 (six months ended 31 December 2019: a net capital gain of £906,000; year ended 30 June 2020: a net capital loss of £34,166,000) and on a weighted average of 434,967,075 (six months ended 31 December 2019: 424,861,641; year ended 30 June 2020: 428,002,951) ordinary shares in issue throughout the period.

Refer to note 13 for details of ordinary shares issued subsequent to the end of the reporting period. These shares were issued at a premium to the 31 December 2020 NAV per ordinary share.

8. Financial assets designated at fair value through profit or loss

All financial assets are valued at fair value through profit or loss. Gains or losses arising from changes in the fair value of investments are included in the Statement of Comprehensive Income.

	As at 31 December 2020 (Unaudited) £'000	As at 31 December 2019 (Unaudited) £'000	As at 30 June 2020 (Audited) £'000
Opening valuation	230,741	253,034	253,034
Purchases at cost	26,791	59,628	88,696
Sales proceeds	(25,062)	(58,703)	(77,753)
Realised losses on sales ¹	(6,753)	(2,719)	(2,766)
Effective interest adjustment	174	72	162
Unrealised gains/(losses) ²	14,418	4,139	(30,632)
Closing valuation	240,309	255,451	230,741
Total net gain/(loss) on financial assets designated at fair value through profit or loss for the period/year	7,665	1,420	(33,398)

¹ Realised losses on financial assets designated at fair value through profit or loss is made up of gains of £522,000 and losses of £7,277,000.

² Unrealised gains on financial assets designated at fair value through profit or loss is made up of gains of £28,364,000 and losses of £13,946,000.

Fair Value Hierarchy

International Financial Reporting Standard ("IFRS") 13 Fair Value Measurement 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;

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.

Transfers in and out of the Levels have been deemed to have occurred at the end of the reporting period.

Investments valued using stock market active prices are disclosed as Level 1 and this is the case for the quoted equity investments that the Company holds. Securities in Level 2 are priced using evaluated prices from a third party vendor, together with a price comparison made to evaluated secondary and tertiary third party 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 investments and their higher inherent pricing risk.

Notes to the Financial Statements (continued)

Investments included as Level 3 are priced using a valuation technique reviewed by the Board taking into account, where appropriate, latest dealing prices, broker statements, valuation information and other relevant factors.

Financial assets at fair value	Level 1 (Unaudited) £'000	Level 2 (Unaudited) £'000	Level 3 (Unaudited) £'000	Total (Unaudited) £'000
Fixed income securities	6,193	184,390	10,711	201,294
Equity shares	35,939	–	332	36,271
Convertible bonds	–	2,744	–	2,744
As at 31 December 2020	42,132	187,134	11,043	240,309

Financial assets at fair value	Level 1 (Unaudited) £'000	Level 2 (Unaudited) £'000	Level 3 (Unaudited) £'000	Total (Unaudited) £'000
Fixed income securities	5,804	185,163	11,131	202,098
Equity shares	39,149	334	421	39,904
Convertible bonds	4,202	9,247	–	13,449
As at 31 December 2019	49,155	194,744	11,552	255,451

Financial assets at fair value	Level 1 (Audited) £'000	Level 2 (Audited) £'000	Level 3 (Audited) £'000	Total (Audited) £'000
Fixed income securities	4,512	175,853	8,484	188,849
Equity shares	31,029	–	380	31,409
Convertible bonds	4,038	6,445	–	10,483
As at 30 June 2020	39,579	182,298	8,864	230,741

During the period ended 31 December 2020 there were no transfers between level 1 and level 2.

Financial assets designated at fair value through profit or loss reconciliation – Level 3

IFRS 13 requires disclosure, by class of financial instrument, if the effect of changing one or more input to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. On that basis the Board believe that the impact of changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value significantly. The following shows a reconciliation from the beginning to the end of the year for fair value measurements in Level 3 of the fair value hierarchy.

Level 3 Financial Assets	Six months ended 31 December 2020 (Unaudited) £'000
Opening valuation	8,864
Purchases	40
Sales	(232)
Unrealised gains	4,107
Realised losses	(4,971)
Transfers into Level 3	3,235
	11,043

OakNorth Bank 01/06/2028 FRN, NT Rig Holdco 7.5% 20/12/2021 and Oro Negro Dril 7.5% 24/01/2019 were transferred to Level 3 due to a decrease in observable data.

If the market value of the Level 3 investments fell by 5%, the impact on the profit or loss and the net asset value would have been a reduction to profit of £552,000. If the value of the Level 3 investments rose by the same amount, the effect would have been equal and opposite.

	as at 31 December 2020 (Unaudited) £'000
Aggregated Micro 8% 17/10/2036	7,154 (1)
OakNorth Bank Variable 01/06/2028	1,860 (1)
NT Rig Holdco 12% 20/12/2021	667 (1)
JPI Media Group Senior Notes (Facility B)	592 (1)
NT Rig Holdco 7.5% 20/12/2021	438 (3)
R.E.A Holdings Plc CW 15/07/2025	170 (2)
Fara Holdco Limited NPV	148 (1)
JPI Media Group Equity	14 (1)
Others	-
	<u>11,043</u>

(1) Single broker quote, low liquidity

(2) Marked to model

(3) Asset priced

The Company also holds a number of other Level 3 assets with a value of £nil.

9. Stated Capital

Authorised

The authorised share capital of the Company is represented by an unlimited number of ordinary shares of no par value.

Allotted, called up and fully-paid

	Number of ordinary shares	Proceeds from issuance of ordinary shares £'000	Share issue costs £'000	Stated capital £'000
Total as at 1 July 2020	432,851,858			197,037
600,000 ordinary shares of no par value allotted on 28 July 2020 at 50.00p	600,000	300	(2)	298
1,700,000 ordinary shares of no par value allotted on 7 September 2020 at 49.75pp	1,700,000	846	(6)	840
750,000 ordinary shares of no par value allotted on 15 September 2020 at 50.00p	750,000	375	(3)	372
400,000 ordinary shares of no par value allotted on 20 November 2020 at 50.00p	400,000	200	(2)	198
Total issued share capital at 31 December 2020	436,301,858	1,721	(13)	198,745

The balance of shares held in treasury by the Company at 31 December 2020 was nil (31 December 2019: nil; 30 June 2020: nil).

On 1 October 2020, a block listing facility for 43,000,000 new shares was approved by the UK Listing Authority. This facility is used for the purposes of satisfying market demand.

Refer to note 13 for further information subsequent to the reporting period.

10. Net Asset Value per Ordinary share

	31 December 2020 (Unaudited)	31 December 2019 (Unaudited)	30 June 2020 (Audited)
Net Asset Value (£'000)	213,273	235,588	205,679
Net Asset Value per share (pence)	48.88p	55.22p	47.52p

The NAV per share is the value of all Company's total assets, less total liabilities, divided by the total number of ordinary shares at each period end. As at 31 December 2020 436,301,858 ordinary shares were held (31 December 2019: 426,601,858; 30 June 2020: 432,851,858).

Notes to the Financial Statements (continued)

11. Dividends

Amounts recognised as distributions to equity holders in the period:

	Six months ended 31 December 2020 (Unaudited) £'000	Six months ended 31 December 2019 (Unaudited) £'000	Year ended 30 June 2020 (Audited) £'000
Dividends in respect of the previous period			
– Fourth interim dividend	6,319	6,125	6,125
Dividends in respect of the period under review			
– First interim dividend	4,359	4,256	4,256
– Second interim dividend	–	–	4,276
– Third interim dividend	–	–	4,321
	10,678	10,381	18,978

Refer to note 13 for further information subsequent to the reporting period.

12. Related Parties

The Board

During the period, there were no transactions with the Board other than directors' fees as disclosed in note 5. There were no changes to the shares held by the Directors during the period and therefore, as at 31 December 2020, the Directors each beneficially held the following shares in the Company:

Caroline Hitch:	130,000 ordinary shares
Wendy Dorman:	112,000 ordinary shares
Duncan A H Baxter:	195,127 ordinary shares
Ian Cadby:	25,000 ordinary shares
John E Newlands:	10,000 ordinary shares

Investment Manager

During the period, there were no transactions with the Investment Manager other than investment manager fees. With effect from 06 November 2020 the Investment Management Agreement with the Investment Manager was amended, the changes in this amendment agreement do not have any impact on the management fee.

Refer to note 4 for further information.

13. Subsequent Events

The Board have evaluated subsequent events for the Company through to 25 February 2021, the date the financial statements were available to be issued, and has concluded that the material events listed below do not require adjustment of the financial statements.

Share Issues

On 13 January 2021, the Company issued 800,000 ordinary shares at a price of 52.5p per share.

On 18 January 2021, the Company issued 600,000 ordinary shares at a price of 52.4p per share.

On 25 January 2021, the Company issued 650,000 ordinary shares at a price of 52.6p per share.

On 3 February 2021, the Company issued 850,000 ordinary shares at a price of 51.6p per share.

Dividend Declaration

On 20 January 2021, the Company announced its second interim dividend of 1.00 pence per share, payable on 26 February 2021 to shareholders on the register on 29 January 2021, having an ex-dividend date of 28 January 2021.

Directors' Statement of Principal Risks and Uncertainties

When considering the total return of the Company, the Directors take account of the risk which has been taken in order to achieve that return. The Directors have carried out a robust assessment of the principal risks and mitigating factors facing the Company including those which would threaten its business model, future performance, solvency or liquidity. The following risk factors have been identified and are listed below:

- Dividend and earnings risk
- Market risk leading to a loss of share value
- Key person risk
- Gearing risk
- Operational risk
- Regulatory risk
- Political risk
- Financial risk

Information on these risks and how they are managed is given in the Annual Report and Financial Statements for the year ended 30 June 2020. In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the current financial year as they were in the six months under review.

The Company may be exposed to certain risks that are not disclosed within the Annual Report and Financial Statements.

The Company is not necessarily free from any such risks.

Directors' Responsibility Statement in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the unaudited condensed financial statements within the Interim Report have been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union ("EU") and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at 31 December 2020, as required by the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rule ("DTR") 4.2.4R.
- the Statement from the Chair, Investment Manager's Review and the condensed financial statements include a fair review of the information required by the Disclosure Guidance and Transparency Rules ("DTR") 4.2.7R, being an indication of important events that have occurred during the first six months ended 31 December 2020 and their impact on the unaudited condensed financial statements;
- the Directors' Statement of Principal Risks and Uncertainties shown above is a fair review of the information required by DTR 4.2.7R; and
- the condensed set of financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place during the six months ended 31 December 2020 and that have materially affected the financial position or performance of the Company during that period.

Signed on behalf of the Board

Caroline Hitch
Chair

25 February 2021

Glossary of Terms and Definitions

Dividend per ordinary share	The total amount of dividends declared for every issued ordinary share over a period of time.
Company	CQS New City High Yield Fund Limited
Dividend yield	The annual dividend per share expressed as a percentage of the share price (bid price).
FRN	Floating Rate Note.
Gearing	The level of borrowing that the Company has undertaken. Represented by total assets (being total assets less current liabilities (excluding borrowings)) less all cash, expressed as a percentage of shareholders' funds (being the Net Asset Value of the Company) minus 100.
Net Asset Value or NAV and NAV per ordinary share	The value of total assets less total liabilities. Liabilities for this purpose include current and long-term liabilities. To calculate the net asset value per ordinary share, the net asset value divided by the number of shares in issue produces the net asset value per share.
Premium or discount	The amount by which the market price per share of an investment company is higher or lower than the net asset value per share. The discount or premium is expressed as a percentage of the net asset value per share.
Revenue earnings per ordinary share	Revenue earnings (which includes dividends paid out during the year) divided by the weighted average number of ordinary shares in issue during the financial year, expressed as a percentage.
SME	Small and medium-sized enterprises.
Total Return	The return to shareholders calculated on a per share basis by adding dividends paid and declared in the period to the increase or decrease in the share price (bid) or net asset value. The dividends are assumed to have been reinvested in the form of ordinary shares or net assets.

Registered Number

95691

Registered Office

CQS New City High Yield Fund Limited
IFC1
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Directors

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Duncan A H Baxter
Ian Cadby
Wendy Dorman
John E Newlands

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ISIN

JE 00B1LZS514

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.

CQS NEW CITY
HIGH YIELD FUND
LIMITED
