RNS Number : 3915C
CQS Natural Resources Grwth&Inc PLC
27 March 2025

CQS Natural Resources Growth and Income PLC

Unaudited Half Year Results for the six months to 31 December 2024

This Announcement is not the Company's Half Year Report & Accounts. It is an abridged version of the Company's full Half Year Report & Accounts for the six months ended 31 December 2024. The full Half Year Report & Accounts, together with a copy of this announcement, will shortly be available on the Company's website at www.ncim.co.uk/cqs-natural-resources-growth-and-income-plc where up to date information on the Company, including daily NAV, share prices and fact sheets, can also be found.

The Company's Half Year Report & Accounts for the six months ended 31 December 2024 has been submitted to the UK Listing Authority, and will shortly be available for inspection on the National Storage Mechanism ("NSM"): https://data.fca.org.uk/#/nsm/nationalstoragemechanism

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.

Strategic Report

Key Metrics

For the six months to 31 December:

	Six months to 31 December 2024	**Six months to 31 December 2023**
Share price capital return[1]	**(1.7)%**	**(0.7)%**
Share price total return[1]	**+0.4%**	**+0.7%**
Dividend yield[1],[2]	**+3.0%**	**+3.3%**
Net asset value capital return[1]	**(8.7)%**	**+0.1%**
Net asset value total return[1]	**(7.5)%**	**+3.4%**
MSCI World Energy Index total return (sterling adjusted)[3]	**(3.8)%**	**+6.8%**
MSCI World Metals and Mining Index total return (sterling adjusted)[3]	**(9.3)%**	**+8.4%**

Chairman's Statement

"Recent macroeconomic and geopolitical events have continued to contribute to the turbulent market environment for the sectors in which your company invests. However, our investment managers believe that volatility provides investment opportunities from which the company can benefit."

I would like to extend the Board's thanks to all shareholders for their engagement and support of the Board in voting at the Requisitioned General Meeting[4] held in February 2025. The Board is pleased to have since engaged with the Company's major shareholder, Saba Capital Management, L.P. ("Saba"), in order to enable the progression of its strategic review, the result of which will be announced during April 2025.

I am pleased to present my first report as Chairman following the retirement of Helen Green from the Board and as Chair in December 2024. My Board colleagues and I would like to thank Helen and Alun Evans, who also retired from the Board in December, for their dedicated service to the Company. Following the recent Board changes, Seema Paterson succeeded me in the role of Chair of the Audit Committee.

Overview

Recent macroeconomic and geopolitical events have continued to contribute to the turbulent market environment for the sectors in which your Company invests. Rising geopolitical tensions, such as U.S. - China trade disputes and conflict in resource rich-regions, have led to increased supply chain disruption and price volatility. However, our investment managers believe that volatility provides investment opportunities from which the Company can benefit. The Company's share price, through its portfolio's significant weighting towards precious metals, was supported by rising gold prices over the period as investors sought safe-haven assets amid these uncertainties, although the market remains sensitive to shifts in inflation and central bank policies.

Performance and discount
During the six months to 31 December 2024, the Company's net asset value ("NAV") total return per share returned -7.5%, outperforming the total return of -9.3% of its performance comparator, the MSCI World Metals and Mining Index (sterling adjusted), to which 67.6% of the Company's portfolio (as at 31 December 2024) can be attributed.

The Company underperformed the total return of -3.8% of the MSCI World Energy Index (sterling adjusted), however, the Company's portfolio has a smaller relative exposure (19.1% as at 31 December 2024) to this performance comparator.

Although in recent periods the Company's short-term returns have been volatile, as explained by the Investment Manager, over the longer term, the Company's NAV per share total return has been 99% for the five years to 31 December 2024, compared with total returns of 61% for the MSCI World Metals and Mining Index (sterling adjusted) and 56% for the MSCI World Energy Index (sterling adjusted).

The Company's share price total return over the six months was 0.4%, while the share price decreased from 189.00 pence per share as at 30 June 2024 to 185.75 pence per share as at 31 December 2024. As at 31 December 2024 the discount to NAV was 2.8% and at the time of writing (at the close of the UK market on 25 March 2025), the discount was 7.9%. Over the six months the discount averaged 8.9%, compared with 15% over the course of the previous financial year.

Share capital
During the six months under review the Company bought back a total of 2,002,114 shares into treasury at a cost of £3.6 million and at an average discount of 11.2%. The resulting uplift to NAV was 1.4%. The discount had narrowed since the Company started buying back shares in April 2024 but also as Saba reported increases in their shareholding in the Company. Saba's latest publicly disclosed holding (as at 2 January 2025) was 18.6 million shares, representing 29.07% of the Company's total voting rights.

As at 25 March 2025, the Company had 64,157,838 shares in issue (excluding 2,730,671 shares held in treasury).

Over the six months ended 31 December 2024 and subsequent to the period end, current Directors' shareholdings have risen collectively by 22,660 shares, demonstrating the Board's long-term support of the Company's investment strategy and manager, and further aligning the Board's interest with shareholders. The current total shareholdings of the Board are valued at over £80,000[5] and, further, the collective shareholdings of the Company's investment management team (and of the persons closely associated with them) are valued at over £225,000[5].

Dividends and Income
As detailed within the Condensed Income Statement and Note 3 to the Condensed Financial Statements, the Company has reported an overall reduction in Income from investments during the period. This is primarily due to a conscious repositioning of the portfolio by the Investment Manager in leading a total return investment strategy, in anticipation of market turbulence. As shown by the 'by commodity' illustration, the Company's exposure to high-yielding shipping stocks was reduced by nearly a third between 31 December 2023 and 31 December 2024 and exposure to gold, which is typically lower yielding, has increased by over 80% in the same period. Whilst having a positive effect on capital returns during the period, this inevitably created the reduction in Income.

The Company has continued to maintain its dividend and has paid two quarterly dividends of 1.26 pence each per share during the financial year to date.

Gearing
The Company's credit facility with Scotiabank expired after a one-year term on 13 September 2024 and, following the Board's review of alternative credit facility providers, the Company entered into a two-year agreement with BNP Paribas for the provision of a £25 million secured revolving credit facility. Further details can be found within Note 8 to the Condensed Financial Statements.

Continued market volatility led the Investment Manager to reduce gearing over the period from 10.1% at the start of the period to 7.0% as at 31 December 2024. As at 31 December 2024, and as at the date of this report, £13 million had been drawn down from this facility (30 June 2024: £17 million).

Half Year Report and Accounts
In common with many other companies, the Company aims to do what it can to reduce its carbon footprint. As noted in the Company's Annual Report for the year ended 30 June 2024, as part of this strategy, and also to produce cost savings for shareholders, the Company will no longer prepare printed copies of its half year report and accounts. This document will, however, continue to be published on the Company's website. The Company's annual report will continue to be available in print.

Shareholder Activity
On 18 December 2024, the Company was served a requisition notice on behalf of Saba requiring the Board to convene a general meeting to consider resolutions that would remove each of the current directors and replace them with two of Saba's nominees (the "Requisitioned Resolutions").

In addition to this, Saba's requisition included reference to terminating the Company's current investment management agreement with Manulife | CQS Investment Management, potentially selecting themselves as the Company's new investment manager and refocusing the Company's investment mandate away from energy, mining, and natural resources.

The Board and three proxy advisor agencies unanimously recommended that shareholders should vote against Saba's Requisitioned Resolutions to protect their investment in the Company.

The Board was pleased to announce that at the meeting held on 4 February 2025, all Requisitioned Resolutions were defeated on a poll by a majority of shareholders. Over 59% of the votes cast were against Saba's Requisitioned Resolutions, representing approximately 40% of the issued share capital. Total votes cast represented over 68% of the issued share capital, up from 10% at the Company's Annual General Meeting held on 15 December 2024. The Board was truly pleased to see such strong engagement from shareholders, and the results of the vote against Saba's proposals spoke loud and clear - the majority of our shareholders have shown their confidence in the existing board and investment strategy. We thank you for this support.

Post reporting period update
On 12 February 2025, the Company announced the receipt of a requisition served on behalf of Saba for a second general meeting of shareholders. Since then, the Board has engaged in a series of constructive discussions with Saba, who have agreed to withdraw the requisition to enable the Board and its advisers to complete the strategic review that was outlined in the Circular to shareholders. The Board will expedite this review and announce the outcome during April 2025. We are pleased to have reached this constructive way forward with the team at Saba and to focus on achieving an outcome in the best interests of all shareholders.

The Board has always been, and continues to be, committed to the interests of all shareholders. A key area of attention is delivering shareholder value and ensuring the strongest corporate governance and transparency. As outlined within the Circular, the Board is currently reviewing the following options available to preserve value for all shareholders:

- Maintaining the current investment policy and management arrangements, given the best practice annual continuation vote, together with providing liquidity to Shareholders by means of buybacks, tenders and other similar actions;

- 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, to negotiate terms of a combination with another investment trust or open-ended investment company that would provide an ongoing investment opportunity with a natural resources and energy focus, together with the option of a full cash exit at NAV for all Shareholders.

Outlook
The Board and Investment Manager remain positive for the outlook of the Company, underpinned by strong free cash flow in the sector and new mining projects from investee companies. The Investment Manager has increased the Company's exposure to uranium, with confidence that newly elected President Trump is likely to support pro-nuclear policies and uranium demand is therefore expected to rise.

Despite macroeconomic and geopolitical challenges, your Board remains confident that the Company's investment strategy should continue to deliver sustainable returns to shareholders and invites shareholders to read the Investment Manager's Review below for their views on your Company's underlying investments and outlook for the future.

We thank shareholders for your recent support and fully intend to continue to engage with you through the various channels available to us. Shareholders are welcome to get in touch with the Board of Directors via the Company Secretary or the Investment Manager using the contact information provided in the Half Year Report.

Christopher Casey
Chairman
26 March 2025

Performance Record[6]

	Six months ended 31 Dec 2024	Six mon 31
Total Return		
Net asset value per share[1]	(7.5)%	
Ordinary share price (mid market)[1]	0.4%	
MSCI World Energy Index (sterling adjusted)[3]	(3.8)%	
MSCI World Metals and Mining Index (sterling adjusted)[3]	(9.3)%	

31 |

Capital Values	
Net asset value per share[1]	
Ordinary share price (mid market)	
Share price discount to NAV per share[1]	
Gearing[1]	

Revenue Earnings and Dividends
Earnings per ordinary share
Dividends per ordinary share

Dividend yield[1]	
Ongoing charges ratio[1]	

Highs and Lows during the six months ended 31 December 2024	
Net asset value per share	
Ordinary share price (mid market)	
Discount/(premium)	

Dividend History	Dividend per share	Ex-divi
Second interim dividend 2025	1.26p	30 Jan
First interim dividend 2025	1.26p	24 Oct
Total	2.52p	
Special interim dividend 2024	1.00p	1 Au
Fourth interim dividend 2024	1.82p	1 Au
Third interim dividend 2024	1.26p	25
Second interim dividend 2024	1.26p	25 Jan
First interim dividend 2024	1.26p	26 Oct
Total	6.60p	

Investment Manager's Review

In these uncertain geopolitical times, being able to own quality gold miners at these levels provides a very attractive risk reward ratio through 2025.

On 4 February 2025 shareholders rejected the proposed change of Board, Investment Manager and strategy by 29% shareholder, Saba. Non-Saba shareholders voted 98.6% in support of the existing company mandate and strategy. We thank all shareholders for their support especially on the strong voter turnout.

Summary

The Company's flexible investment strategy, driven by top down and bottom up research, allows the Company to exploit opportunities that arise through economic and political cycles, as well as global secular trends pertaining to the energy and resources sector, with the aim of maximising total returns to shareholders. This strategy has been the right one, as recent geopolitical events have introduced a heightened level of uncertainty in global trade which directly impacts the sector and markets.

The new US Administration has played a considerable role in disrupting international trade policies and recalibrating trends such as the energy transition, amongst others. We are witnessing the stoking of inflation and investment decisions being deferred in many regions around the world which is likely to act as a drag to overall global economic growth in the near term. Pre-empting such turbulence over the period under review, we had implemented a conscious reallocation of portfolio exposure from more economically sensitive sectors, including the income-generating energy and shipping markets, into gold, which has supported the Company's performance.

Exposure to gold was considerably more profitable than the energy-related sector over the period to 31 December 2024, albeit at a lower level when compared with the first six months of 2024, during which it made a higher contribution. Despite paring back our energy-related exposure during the period it continued to act as a drag to performance and dividends, particularly as shippers of energy, such as Frontline, reduced their dividends. Since 31 December 2024, however, the performance of gold investments has contributed nearly 12% to overall returns in contrast to the 3% drag from energy related investments, thereby supporting our view and actions.

At the time of writing, with little to suggest an end to retaliatory tariffs, inward focused international trade policies and uncertainty around global growth and the outcomes of the wars in Ukraine and Gaza, gold remains a preferred investment. This positioning feels even more justified against the backdrop of a US-led trade war, whilst further supporting the upside case for precious metals as financial market participants and central banks are adding gold for portfolio protection. The Company continues to hold a historically low weighting to base metals and zero iron ore, in part due to the ongoing Chinese property crisis, but this is further supported by broader economic risk from trade policy. Over the longer term, we remain supportive of the secular trends towards decarbonisation which will support some specific commodity investments, but timing is uncertain so we remain flexible and focused on delivering value today by maximising total returns to our shareholders.

Performance

The Company's NAV total return performance was between that of the two comparator indices on a sterling adjusted basis, MSCI World Metals and Mining and MSCI World Energy, over the six months to 31 December 2024. The discount closed from ~10% in October to 3% at the period end, leading to a 7% relative better performance of the Company's shares vs the Company's NAV.

The second half of 2024 was dominated by the US presidential election as it became increasingly likely that Donald Trump would win, before that was confirmed on 5 November. The reason for such focus was not unjustified given the divergent policy intentions between Trump and Biden, which would impact almost every corner of the global economy, not least with regards to global commodity pricing and trade flows. Trump was clear on his love of import tariffs as a way of encouraging more US domestic supply and raising additional tax receipts.

This form of trade war is unprecedented in its scope and reach, but whilst it is claimed to be a tax on the suppliers of goods to the US, ultimately this will be a be a burden that is also shared with US consumers, as these incremental tariffs will directly translate through to higher consumer prices and add to inflationary pressures in the US. These consequences appear to be well understood by the broader market and previously anticipated interest rate cuts are no longer expected. Indeed long-dated interest rates have risen since the election result: the pre election consensus that viewed inflation as being on a downward path is being questioned as readings prove that price rises are proving stickier, with US policy shifts, especially the introduction of tariffs, likely to make inflation persistent and restricting the US Federal Reserve's ability to follow through on rate cuts. Against a backdrop of rising government indebtedness, and slowing global growth, the sticky inflation environment has raised fears of stagflation (inflation and negative growth) which is historically supportive for real assets, especially gold.

Precious Metal miners
Gold prices repeatedly made new all-time highs through 2024, after breaking free from the 2,000/oz level that had capped it since 2020. This led to strong performance in the precious metal miners which benefited the Company. Gold rallied 12.8% through the second half of calendar 2024 whilst gold miners, as measured by the Philadelphia Gold/Silver Index, decreased 0.8% in USD terms, disappointingly not exhibiting the operating leverage one would expect to see.

Typically, returns of a producer should increase by a greater amount than the underlying commodity as, given their production cost, the margins expand by a greater percentage than the underlying metal price increase. A reason that leverage might not occur as above is when the market expects cost pressures also to increase, but the costs of many inputs are easing, from beneficial foreign exchange rate moves, improved availability of labour, easing steel and oil prices, all contributing to an improving outlook for margins and cash generation.

Strong central bank demand has been a key driver of gold's strength, with 2024 marking the third year of over 1,000 tonnes of net demand. Trump's tariff and trade war threats and risks from broader government indebtedness should only act to support even stronger additions to gold reserves going forwards.

Base metal caution
Trump's approach to foreign policy, which relies heavily on tariffs, is and will remain significant for commodity markets. In this regard, at the time of writing, a series of varying tariffs have been applied on all US imports from China while higher duties are due to be applied to specific goods imported from the US's neighbours, Canada and Mexico. Historically, such policies come with collateral damage, causing prices to rise and growth to slow domestically while creating deflation and unemployment in tariffed countries, which causes their growth to slow.

Meanwhile, the ongoing Chinese property crisis continues to weigh on commodity demand and remains key to our still cautious portfolio positioning in base metals and zero-weighting in iron ore. While showing some signs of flattening out, Chinese residential housing starts are down 72% from the end of 2020. Central planners appear reluctant to stimulate the sector meaningfully, perhaps sensibly given the longer-term demographic issues now faced and the population now in decline. Chinese stimulus to address slowing economic growth proved disappointing in 2024 as authorities awaited clarity on US trade policies. China's central planners have subsequently indicated, and as noted by Mr Liao Min, Vice Minister of Finance, that the country has "ample fiscal policy room and tools to deal with new domestic and external problems". Measures include an increase in fiscal spending deficit from to 4% of GDP in 2025, from ~3% historically, in order to support domestic consumption and reduce reliance on export markets. However, without even more stimulus (and against the backdrop of a countervailing response by Trump early in his Presidential tenure), the economic growth outlook remains challenging. In addition, we are acutely aware that the pull-forward of trade ahead of the much-vocalised tariff-led policy has led to broadly higher inventory levels which may now dampen near-term demand.

Assessing other investment themes, the energy transition will require more base metals, especially copper. We continue to believe that does not translate to shortages of associated ingredients today (as illustrated by the adequate supply of copper inventories as estimated by the International Copper Study Group in January), and thus we struggle with premium valuations for copper miners. The portfolio's copper weighting remains focused on discounted developers, such as Solaris in Ecuador, which we believe offer a better risk reward ratio and which can be brought into production in the future during periods of expected deficit. Sales of electric vehicles ("EVs") globally continue to grow rapidly despite the slow down in Europe, with China reporting a 31% increase in year on year new EV sales for 2024.

Energy
Oil was moderately weaker over the period, as production globally remained resilient, with limited supply disruptions. Demand concerns continue given China's currently challenged economic outlook and increasing penetration of EVs domestically. Fears that Trump's "drill baby drill" rhetoric could lead to more shale production also added concern, but we are dubious that Trump can pressurise US domestic shale business to produce more as the decision to invest in production growth is driven by commodity price expectations. We reduced our weighting to US land drillers and sold out of Precision Drilling. Our preference for fossil fuel exposure is through gas focused stocks that may benefit from US liquefied natural gas ("LNG") facility build out and European energy policy restricting production, thus requiring more LNG imports. We also believe that nuclear power will continue to gain more focus, benefiting the Company's uranium mining exposure, as countries look to extend the lives of their existing nuclear fleets. Nuclear power offers zero carbon base load power, with significant energy security benefits, supporting China's continued build out of 10 new reactors per year.

Positioning
The 'Exposure Trend' chart contained in the Half Year Report shows the dynamic allocation by sector since March 2020.

The Company further increased its weighting in precious metal miners, due to their attractive fundamentals: new all-time highs in gold, combined with the easing cost pressures referred to earlier, lifted margins and cash generation to record levels for the sector. This has considerably improved prospects for shareholder returns via higher dividends, buybacks and M&A. Additionally, within the precious metal allocation the Company is focused on miners with development assets that are expected to come online in 2025, providing incremental catalysts over and above the broader positive fundamentals. Such investments include Ora Banda, West African Resources, and Calibre Mining, which are all in the portfolio's top 10 holdings.

More recent additions to the precious metal weighting were primarily funded by a reduction in the energy exposure given the softer near-term demand. Supply looks sufficient for now, although this could rapidly tighten with a stricter application of sanctions on Russian and Iranian exports. Shipping names remain attractive, with continued disruptions in the Red Sea from Houthi attacks, whilst BW LPG is well placed to capture value from increasing US gas production and thus propane production as a byproduct.

As stated, base metal positioning remains low on China concerns and richer valuations especially with copper miners.

Outlook
2025, and probably the rest of Donald Trump's term, will be marked by higher volatility, which may require more nimble shifts in portfolio allocation. A trade war will probably be negative for global growth, whilst America's weaponization of the US dollar is likely to continue to support strong central bank gold demand.

China's economy continues to struggle, which, with a squeezed global consumer, continues to drive our low base metal weighting and lightening of the Company's exposure to crude oil. Chinese housing starts are down over 70% in four years, with lagging completions following the declining trajectory, limiting copper demand for final wiring, air conditioning and white goods.

Energy markets remain uncertain and regional. Oil demand growth is lacklustre with a soft China offset by signs of growth from the likes of India. The big unknown remains geopolitics. Trump is taking a harder line against Iran which threatens oil exports from the country. In addition, Trump has stated he would solve the Russia-Ukrainian war, and with Russian output equivalent to that of Saudi Arabia, this represents an important supply side consideration. For now, heavier application of sanctions on Russia looks more likely to disrupt output rather than add production, but a potential truce could leave risks skewed to the downside in the shorter term.

One area that does look likely to benefit from Trump's stance, backed up by Elon Musk and US Energy Secretary, Chris Wright, is nuclear, which has become increasingly strategic to many nations' energy requirements. In light of this, the Company maintains a significant allocation to uranium miners, which is biased to developer, NexGen, whose core asset is located in the established uranium mining district of the Athabasca Basin in Canada.

Uncertainty deters corporate investment and is negative for global growth while, in anticipation of Trump's well signalled policy approach, it has also pulled forward much demand ahead of tariff implementation. In light of this, the Company's positioning reflects a less sanguine outlook and gearing has been reined in to provide flexibility for opportunities which may arise from potential to-and-fro policy shifts and the increased volatility that may result.

Ian (Franco) Francis, Keith Watson and Robert Crayfourd
Manulife | CQS Investment Management
26 March 2025

Top ten largest holdings

NexGen Energy
A tier 1 uranium development asset in the established Athabasca Basin uranium mining district in Saskatchewan, Canada, which has the potential to be the lowest cost uranium mine globally. As a zero-carbon source of energy, civil nuclear power generation, and hence uranium, may gain further traction in global energy mix.

Valuation 31.12.24: £10,365,000 (30.06.24: £10,874,000)

(£509,000)
Depreciation

Sales
-

Purchases
-

Emerald Resources
An Australian listed gold producer, with a producing mine in Cambodia and development asset in Australia. The company has successfully commissioned its low cost Okvau gold mine in Cambodia on time and budget. This strong management team has a long history of delivering mines on time and budget and is self-funded for the future growth profile.

Valuation 31.12.24: £6,354,000 (30.06.24: £7,750,000)

(£1,024,000)
Depreciation

Sales
(£372,000)

Purchases
-

Ora Banda Mining
An Australian gold exploration and development company, with 100% ownership of the Davyhurst Gold Project in the highly productive eastern goldfields region of Western Australia.

Valuation 31.12.24: £5,668,000 (30.06.24: £3,948,000)

£3,538,000
Appreciation

Sales
(£1,818,000)

Purchases
-

West African Resources
An Australian listed emerging mid-tier gold producer based in the West African region. The company acquires, explores and develops resource projects, and serves customers in West Africa and Australia.

Valuation 31.12.24: £4,972,000 (30.06.24: £5,941,000)

(£934,000)
Depreciation

Sales
(£376,000)

Purchases
£341,000

REA Holdings
A leading contributor to responsible palm oil production globally. REA has a commitment to produce sustainably and has also received Roundtable on Sustainable Palm Oil certification. Following substantial cost cutting measures the group is well placed to benefit from the recent recovery in the crude palm oil price.

Valuation 31.12.24: £4,445,000 (30.06.24: £4,681,000)

(£91,000)
Depreciation

Sales
(£145,000)

Purchases
-

Tamboran Resources
A US listed natural gas exploration and production company, which specialises in the transition to cleaner energy and supports the energy transition by developing commercial production of natural gas and net zero equity scope 1 and 2 emissions. Tamboran Resources conducts its business in Australia.

Valuation 31.12.24: £4,325,000 (30.06.24: £5,171,000)

(£846,000)
Depreciation

Sales
-

Purchases
-

Westgold Resources
An innovative and progressive gold producer located in the Murchison and Southern Goldfields regions of West Australia. The company has tenure of more than 3,200 km^2 and operates six underground mines and five processing plants with an installed processing capacity of approximately 6.6 million tonnes per annum.

Valuation 31.12.24: £4,322,000 (30.06.24: £438,000)

£1,509,000
Appreciation

Sales
(£1,193,000)

Purchases
£3,568,000

Ur-Energy
An American uranium producer, which is engaged in uranium recovery and processing operations, as well as the exploration and development of uranium mineral properties.

Valuation 31.12.24: £4,243,000 (30.06.24: £1,997,000)

(£112,000)
Depreciation

Transocean
A leading international provider of offshore contract drilling services for oil and gas wells. The group is well placed to benefit from an improvement in offshore rig day rates. The offshore rig market looks attractive as spending from global oil and gas increases, whilst the availability of rigs remains constrained given the large capital requirement and long lead times for new builds.

Valuation 31.12.24: £3,867,000 (30.06.24: £5,471,000)

(£1,604,000)
Depreciation

Sales
-

Purchases
-

Calibre Mining

A Canadian listed, American focused growing mid-tier gold producer with a strong pipeline of development and exploration opportunities across Newfoundland & Labrador in Canada, Nevada and Washington in the USA, and Nicaragua. The company is focused on delivering sustainable value for shareholders, local communities and all stakeholders through responsible operations and a disciplined approach to growth.

Valuation 31.12.24: £3,714,000 (30.06.24: £3,004,000)

£349,000
Appreciation

Sales
(£204,000)

Purchases
£565,000

At 31 December 2024, the value of the top ten investments totalled £52,275,000, 39.8% of the investment portfolio. To see a full breakdown of our investments see Investment Portfolio as at 31 December 2024.

Portfolio at a glance as at 31 December

By commodity

	As at 31 December 2024 % of total investments	As at 31 December 2023 % of total investments
Gold	34.8	19.3
Oil & Gas	19.1	31.1
Uranium	12.9	10.0
Lithium	5.8	4.9
Copper	5.3	5.7
Shipping	4.6	6.6
Palm Oil	3.4	2.9
Coal	2.9	5.8
Base metals*	2.7	5.2
Royalty	2.3	1.3
Silver	1.9	2.1
Rare Earth	1.8	2.1
Platinum	1.4	0.7
Nickel	0.6	1.3
Diversified Minerals	0.4	0.7

* Comprises polymetallic investee companies.

By location of listing

	As at 31 December 2024 % of total investments	As at 31 December 2023 % of total investments
Canada	32.3	52.0
Australia	27.7	15.0
US	13.1	15.0
UK	12.1	11.0
Unquoted*	10.6	3.0
Europe	4.2	4.2

* The increase in unquoted investments is primarily driven by the suspension of trading of Leo Lithium on 1 July 2024. Further detail can be found within Note 9 to the Financial Statements in the Company's Annual Report for the year ended 30 June 2024.

Investment Portfolio
as at 31 December 2024

as at 31 December 2024

Company	Sector
NexGen Energy	Uranium
Emerald Resources	Gold
Ora Banda Mining	Gold
West African Resources	Gold
REA Holdings[7]	Palm Oil
Tamboran Resources	Oil & Gas
Westgold Resources	Gold
Ur-Energy	Uranium
Transocean	Oil & Gas
Calibre Mining	Gold
Top ten investments	
Vermilion Energy	Oil & Gas
BW LPG	Shipping
Diamondback Energy	Oil & Gas
Leo Lithium	Lithium
Thungela Resources	Coal
Sigma Lithium Resources	Lithium
Lynas Corporation	Rare Earth
Peyto Exploration & Development	Oil & Gas
Foran Mining	Copper
Greatland Gold	Gold
Top twenty investments	
Wheaton Precious Metals	Royalty
EOG Resources	Oil & Gas
Diversified Energy	Oil & Gas
Equinox	Gold
Frontline	Shipping
Solaris Resources	Gold
Polymetals Resources	Gold
Robex Resources	Gold
G Mining	Gold
Paladin Energy	Uranium
Top thirty investments	
Southern Cross Gold	Gold
Mawson Gold	Gold
Metals X	Base metals
True North Copper	Copper
Integra Resources	Gold
Afentra	Oil & Gas
Sylvania Platinum	Platinum
Newcore Gold	Gold
Patriot Battery Metals	Lithium
Cleantech	Royalty
Top forty investments	
Coronado Global Resources	Coal
Collective Mining	Copper
Talon Metals	Nickel
Liberty Energy	Oil & Gas
ISOEnergy	Base metals
Greenheart Gold	Gold
Solgold	Copper
NorAm Drilling	Oil & Gas
Osisko Development	Gold
Eldorado Gold	Gold
Top fifty investments	
Coppernico Metals	Copper
Rupert Resources	Gold
Galena Mining	Base metals
Osisko Gold Royalties	Gold
MAG Silver	Silver
Central Asia Metals	Copper
Ero Copper	Copper
Spartan Delta	Oil & Gas
Richmond Vanadium	Diversified Minerals
TDG Gold	Gold
Top sixty investments	
Castile Resources	Gold
Euronav	Shipping
Ascendant Resources	Base metals
Mawson Finland	Base metals
Shelf Drilling	Oil & Gas
Denison Mines	Uranium
Firefinch	Lithium
Platinum Group Metals	Platinum
Fortuna Silver Mines	Silver
Cosa Resources	Uranium
Top seventy investments	
Other investments	
Total	

Further details on the Company's top ten largest holdings within its Investment Portfolio are set out under Top Ten Largest Holdings above.

Financial Statements

Condensed Income Statement

			Six months ended 31 December 2024 (unaudited)	
	Notes	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	2	-	(9,281)	(9,281)
Exchange (losses)/gains on foreign currencies		-	(30)	(30)
Income	3	1,358	323	1,681
Investment management fee		(199)	(597)	(796)
Other expenses		(550)	-	(550)
Net return before finance costs and tax		609	(9,585)	(8,976)
Finance costs		(136)	(407)	(543)
Net return before tax		473	(9,992)	(9,519)
Tax		(69)	(25)	(94)
Net return for the period		404	(10,017)	(9,613)
Basic and diluted return per ordinary share (pence)		0.63p	(15.53)p	(14.90)p

The "total" column of this statement is the Income Statement of the Company, prepared in accordance with Financial Reporting Standard 102 ("FRS 102"). The supplementary revenue and capital columns are presented in accordance with the Statement of Recommended Practice issued by the AIC ("AIC SORP").

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

There is no other comprehensive income, and therefore the net return after tax for the period is also the total comprehensive income.

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

Condensed Balance Sheet

Fixed assets
Investments at fair value through profit or loss
Current assets
Debtors
Cash
Current liabilities
Creditors: amounts falling due within one year
Bank loan
Net current liabilities
Net assets
Capital and reserves
Called-up share capital
Share premium
Special distributable reserve
Treasury shares
Capital reserve
Revenue reserve
Equity shareholders' funds
Net asset value per ordinary share

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

Condensed Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Treasury shares £'000
For the six months ended 31 December 2024 (unaudited)				
Balance at 30 June 2024	16,722	4,851	27,127	(182)
Net return after tax for the period	-	-	-	-
Shares bought back into treasury	-	-	(3,114)	(500)
Dividends paid	-	-	(115)	-
Balance at 31 December 2024	16,722	4,851	23,898	(682)
For the six months ended 31 December 2023 (unaudited)				
Balance at 30 June 2023	16,722	4,851	28,571	-
Net return after tax for the period	-	-	-	-
Dividends paid	-	-	(262)	-
Balance at 31 December 2023	16,722	4,851	28,309	-

The special distributable reserve and the revenue reserve represent the amount of the Company's reserves distributable by way of dividend.

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

Condensed Cash Flow Statement

Operating activities
Investment income received
Deposit interest received
Investment management fees paid
Other expenses
Net cash inflow from operating activities
Investing activities
Purchases of investments
Disposals of investments
Net cash inflow from investing activities
Financing activities
Equity dividends paid
Shares bought back into treasury
Repayment of credit facility
Loan interest paid
Net cash outflow from financing activities
Increase in net cash
Foreign exchange (losses)/gains
Opening net cash at 1 July
Closing net cash at 31 December

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

Notes to the Condensed Financial Statements for the Half Year ended 31 December 2024

1 Accounting Policies - Basis of Preparation

The condensed interim financial statements have been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) and with the Statement of Recommended Practice for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. 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.

The condensed interim financial statements have been prepared using the same accounting policies as the preceding annual financial statements, which were prepared under Financial Reporting Standard 102.

2 (Losses)/gains on Investments

Included within (losses)/gains on investments in the Condensed Income Statement for the period ended 31 December 2024 are realised gains of £7,675,000 (31 December 2023: gains of £1,993,000) and unrealised losses of £16,956,000 (31 December 2023: gains of £574,000).

3 Income

The breakdown of income for the six months to 31 December 2024 and 31 December 2023 is as follows:

Income from investments:
UK dividend income
Preference share dividend income
Overseas dividend income
Overseas fixed interest
Other income
Bank interest
Total Income

4 Return per Ordinary Share

Return per share attributable to shareholders reflects the overall performance of the Company in the period. Net revenue recognised in the first six months is not necessarily indicative of the total likely to be received in the full accounting year.

Revenue return
Capital return
Total return

Revenue return per share (pence)
Capital return per share (pence)
Total return per share (pence)

The weighted average number of shares in issue during the six months ended 31 December 2024 was 64,516,804 (six

The weighted average number of shares in issue during the six months ended 31 December 2024 was 64,516,804 (six months ended 31 December 2023: 66,888,509).

There are no dilutive instruments issued by the Company.

5 Dividends

During the six months to 31 December 2024, the Company paid a fourth interim dividend of 1.82 pence per share and a special interim dividend of 1.00 penny per share in relation to the financial year ended 30 June 2024, and a first interim dividend of 1.26 pence per share in relation to the six months ended 31 December 2024.

A second interim dividend 2025 of 1.26 pence per share was declared after 31 December 2024 and paid on 28 February 2025. In accordance with FRS 102, this interim dividend has not been included as a liability in this Half Year Report and instead will be recognised in the period in which they are paid.

6 Share Capital

At 31 December 2024 there were 64,157,838 ordinary shares in issue, excluding 2,730,671 shares held in treasury (30 June 2024: 66,159,952, excluding 728,557 shares held in treasury).

During the six months ended 31 December 2024 the Company repurchased 2,002,114 shares to hold in treasury (six months ended 31 December 2023: none).

7 Net Asset Value per Ordinary Share

Net asset value per share
Net assets
Ordinary shares of 25p each in issue (excluding shares held in treasury)

There are no dilutive instruments issued by the Company.

8 Bank Loan

Bank loan

The Company previously had an unsecured loan facility with Scotiabank Europe Plc ("Scotiabank"), on which drawdowns attracted an interest rate of Sterling Overnight Index Average ("SONIA") plus 1.10%. As at 30 June 2024, £17 million was drawn down at an indicative rate of 6.3% fixed until 13 September 2024. The credit facility with Scotiabank had a floating charge covering all the property or undertaking of the Company.

The facility with Scotiabank expired on 13 September 2024 and a new secured facility with a two-year tenure was agreed with BNP Paribas ("BNP") with effect from the same date until September 2026. Drawdowns from the new facility attract an interest rate of SONIA plus 1.35% and a commitment fee of 0.45%. The previous floating charge was satisfied upon repayment and expiration of the facility with Scotiabank, and replaced by a floating charge, with the same coverage of assets, under the new facility agreement with BNP Paribas.

As at the date this Report was approved, £13 million was drawn down under this facility at an indicative rate of 6.05% fixed until 13 June 2025.

The covenants of the loan facility with Scotiabank for the period to 13 September 2024 and of the facility with BNP since 13 September 2024 have been met. Covenant conditions for the facility with BNP are as follows:

- the borrower shall not permit the net asset value to be less than £45 million;
- maximum loan to value ratio of 30%; and
- minimum coverage ratio (total adjusted total assets value over debt) of 1.

9 Going Concern

After making enquiries and having considered the Company's investment objective, nature of the investment portfolio, bank facility and expenditure projections, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future. For this reason, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing this report.

10 Comparative Information

The condensed financial statements contained in this Half Year Report do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the six months to 31 December 2024 and 31 December 2023 has not been audited or reviewed by the Company's external Auditor.

The information for the year ended 30 June 2024 has been extracted from the latest published audited financial statements. Those statutory financial statements have been filed with the Registrar of Companies and included the report of the Auditor, which was unqualified and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

Earnings for the first six months should not be taken as a guide to the results for the full year.

11 Related Parties

The following are considered related parties: the Board of Directors (the "Board") and CQS (UK) LLP (trading as Manulife | CQS Investment Management) (the "Investment Manager").

All transactions with related parties are carried out on an arm's length basis.

There are no other transactions with the Board other than aggregated remuneration and reimbursement of expenses for services as Directors. There were no amounts payable to Directors outstanding at the end of the period (31 December 2023: £17,000).

The Investment Manager's 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 amount incurred in respect of investment management fees during the period was £796,000 (six months to 31 December 2023: £837,000), of which £123,000 (2023: £273,000) was outstanding as at 31 December 2024.

12 Post Balance Sheet Events

The second interim dividend of 1.26 pence per share in relation to the six months ended 31 December 2024 was announced on 21 January 2025 and paid on 28 February 2025 to shareholders on the register on 31 January 2025, with an ex-dividend date of 30 January 2025.

On 12 February 2025, the Company announced the receipt of a requisition served on behalf of Saba for a second general meeting of shareholders. Since then, the Board has engaged in a series of constructive discussions with Saba, who have agreed to withdraw the requisition to enable the Board and its advisers to complete the strategic review that was outlined in the Circular to shareholders. The Board will expedite this review and announce the outcome during April 2025.

Interim Management Report and Responsibility Statement

The Chairman's Statement and the Investment Manager's Review above give details of the important events which have occurred during the period and their impact on the financial statements.

Principal Risks and Uncertainties

The Company's assets consist principally of listed equities and fixed interest securities and its principal risks are therefore primarily market related. The Company is also exposed to currency risk in respect of the markets in which it invests. Key risks faced by the Company fall into the following broad categories: market, sector and geopolitical, demand for the Company's shares, key person, regulatory and operational.

These risks, and the way in which they are managed, are described in more detail under the heading 'Principal Risks, Uncertainties and Mitigations' within the Strategic Report contained within the Company's Annual Report for the year ended 30 June 2024. The Company's principal risks and uncertainties have not changed materially since the date of the report and are not expected to change materially for the rest of the Company's financial year.

Related Parties Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

Going Concern

The Directors, having considered the Company's investment objective, the nature and liquidity of the portfolio and the income and expenditure projections, consider that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and is financially sound. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' Responsibilities in Respect of the Interim Report

The Board of Directors confirms that, to the best of its knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the interim management report includes a true and fair review of the information required by:
    a. DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
    b. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Half Year Report has not been audited by the Company's Auditor.

This Half Year Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the date of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

On behalf of the Board
Christopher Casey
Chairman
26 March 2025

- ENDS -

For further information please contact:

Administrator and Company Secretary
Frostrow Capital LLP
Eleanor Cranmer
Email: cosec@frostrow.com
Tel: 0203 008 4613

Investment Manager
Manulife | CQS Investment Management
Craig Cleland
Email: contactncim@cqsm.com
Tel: 0207 201 5368

[1] Alternative Performance Measure ("APM"). A glossary of the terms used, including alternative performance measures, can be found within the Half Year Report.

[2] Based on an annualised dividend of 6.60 pence per share (2023: annualised dividend of 8.60 pence per share).

[3] Used by the Company as a comparator, not a benchmark. As at 31 December 2024, 19.1% of the portfolio was attributable to the MSCI World Energy Index and 67.6% of the portfolio to the MSCI World Metals and Mining Index. Please refer to the 'by commodity' illustration within the Half Year Report for further detail.

[4] Capitalised terms not otherwise defined in this Report have the meaning given to them in the Circular published by the Company on 7 January 2025.

[5] Based on an Ordinary share price (mid market) of 185.75 pence as at 31 December 2024.

[6] Unaudited unless otherwise stated.

[7] Includes REA Holdings 9% preference shares valued at £3,985,000 (31 December 2023: £4,064,000), REA Finance 8.75% 31/08/2025 valued at £460,000 (31 December 2023: £460,000), REA Holdings warrants valued at £4,000 (2023: £4,000) and no holding in the ordinary shares of REA Holdings (31 December 2023: £153,000).

IR UNAKRVWUOUAR