

25 February 2026

CQS New City High Yield Fund Limited
("NCYF" or the "Company")
Interim Report for the six months ended 31 December 2025

CQS NEW CITY HIGH YIELD FUND LIMITED has published its interim report for the period ended 31 December 2025. A copy can shortly be found on the Company's website [NCIM - CQS New City High Yield Fund LTD - Fund Page](#), on the National Storage Mechanism ([National Storage Mechanism | FCA](#)), and will also be provided to those shareholders who have requested a printed or electronic copy.

Highlights:

- NAV total return of 4.85% for the six months ended 31 December 2025
- Ordinary share price total return of 4.61% for the six months ended 31 December 2025
- Dividend yield of 8.81%, based on dividends at an annualised rate of 4.51 pence and an ordinary share price of 51.20 pence as at 31 December 2025
- Ordinary share price at a premium of 6.33% as at 31 December 2025
- £22,545,000 of equity issued during the six months to 31 December 2025

Caroline Hitch, Chair of New City High Yield Fund, commented: "I am pleased with the strong results in the first half of the year, where NAV total return was 4.85%, delivered against a backdrop of continued volatility in bond markets. The share price also performed well, delivering a total return of 4.61% while the Company continues to offer an attractive dividend yield of 8.81%. I believe NCYF is well positioned for a steady journey, despite some on-going turbulence, partly due to the portfolio's relatively short duration of between three and four years, which should help to moderate any impact of interest rate and yield movements. The credit quality of our holdings is critical, and, in this regard, we do not anticipate a significant global economic downturn that might materially impair the balance sheets of corporations, including possibly our issuers. Taken together with the portfolio's broad diversification across sectors and issuers, these factors give me confidence that the Company can deliver a full year of attractive dividends and, potentially, a modest level of capital appreciation."

Ian "Franco" Francis, Portfolio Manager at New City High Yield Fund, commented: "Amid elevated long-term bond yields and ongoing uncertainty, we have maintained a short portfolio duration of just over three years. The UK economy seems to be in a better place with both sentiment and growth improving while globally, inflation is starting to cool. This will enable Central Banks to cut rates further to boost economies, which should also be a positive for bond markets. We maintain our focus on remaining diversified and continue to see attractive opportunities across UK, European, and Scandinavian corporate bonds. While near-term market volatility may persist, we remain confident in the medium-term prospects for high-yield investors."

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About CQS New City High Yield Fund Limited

CQS New City High Yield Fund Limited aims to provide investors with a high dividend yield and the potential for capital growth by investing in high-yielding, fixed interest securities. These include, but are not limited to, preference shares, loan stocks, corporate bonds (convertible and/or redeemable) and government stocks. The Company also invests in equities and other income-yielding securities.

Since the Fund's launch in 2007, the Board has increased the level of dividends paid every year. As at 25 February 2026, the Company's dividend yield was 8.84%. In addition to quarterly dividend payments, the Fund seeks to deliver investors access to a high-income asset class across a well-diversified portfolio with low duration to help mitigate interest rate risk.

Further information can be found on the Company's website at [NCIM - CQS New City High Yield Fund LTD -](#)

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Purpose and strategy

The purpose of the Company is to provide Shareholders with a high gross dividend yield and the potential for capital growth by mainly investing in high yielding fixed interest securities. To achieve this, the strategy of the Company is to follow the investment policy outlined below and to maximise the benefits of being a closed-ended investment vehicle.

Financial Highlights

NAV and ordinary share price total return¹	Six months ended 31 December 2025		Six months ended 31 December 2024	
NAV ²	4.85%		3.58%	
Ordinary share price	4.61%		2.91%	
Capital values	As at 31 December 2025	As at 30 June 2025	% change	
Total assets less current liabilities (with the exception of the bank loan facility)	£358.9m	£338.8m	5.93%	
NAV per ordinary share ²	48.15p	48.37p	(0.45)%	
Ordinary share price (bid) ³	51.20p	51.40p	(0.39)%	
Revenue and dividends	Six months ended 31 December 2025		Six months ended 31 December 2024	
Revenue earnings per ordinary share ¹	2.29p		2.26p	
Dividends per ordinary share ¹	2.00p		2.00p	
			% change	
			1.33%	
			0.00%	
Other highlights	As at 31 December 2025	As at 30 June 2025		
Premium ¹	6.33%	6.26%		
Gearing ¹	10.92%	10.02%		
Dividend history	Rate	xd date	Record date	Payment date
First interim 2026	1.00p	23 October 2025	24 October 2025	28 November 2025
Second interim 2026	1.00p	22 January 2026	23 January 2026	27 February 2026
Dividend per ordinary share	2.00p			
First interim 2025	1.00p	24 October 2024	25 October 2024	29 November 2024
Second interim 2025	1.00p	23 January 2025	24 January 2025	21 February 2025
Third interim 2025	1.00p	1 May 2025	2 May 2025	30 May 2025
Fourth interim 2025	1.51p	31 July 2025	1 August 2025	29 August 2025
Annual dividend per ordinary share	4.51p			

Statement from the Chair**NAV and ordinary share price performance**

The NAV total return of the Company for the six months to 31 December 2025 was 4.85% which I believe is a good return in a very volatile market. The ordinary share price total return was 4.61% and your Company remains one of very few investment trusts in the United Kingdom ("UK") that trades on a premium. Ongoing demand allowed us to continue issuing shares (see below), again something of a current rarity in the investment trust sector. The Company's longer-term performance remains strong.

Equity markets have generally shown a strong positive return over the last six months, and bond markets have seen more modest returns as investors worry about major Government debt levels. This has caused Gilt and Treasury yields to remain elevated amid concerns over inflation and interest rates remaining higher for longer. In the corporate bond market, the Sterling return of the high yield index was just under 4%. The Company's portfolio was stable in this environment with no major setbacks in the portfolio or in the revenue account. Ian "Franco" Francis, your investment manager, gives more detail in his review.

Earnings and dividends

The Company's revenue earnings per share were 2.29p for the six months, compared to a figure of 2.26p earned in the same period last year. The revenue account is fairly stable as portfolio income has continued to benefit from higher interest rates. The Company has declared two dividends of 1.00p so far in this financial period, maintaining the level of those declared in the same period last year. As things stand, 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 dividend rate of 4.51p and a share price of 51.00p as at 25 February 2026, this represents an attractive dividend yield of 8.84%. The Board anticipates that revenue earnings per share for the whole year will cover the total dividend. The Board is very focused on dividend payments which we know are important to our Shareholders and since its launch in 2007, the level of dividends paid by the Company has increased every year.

Gearing

The Company has renewed its loan facility with BNP Paribas, London Branch, with an increased facility amount of £50,000,000 - this is due to expire in December 2026. Out of this facility, £40,000,000 was drawn down as at 31 December 2025; and as at 25 February 2026, the Company has an effective gearing rate of 8.36%. At present, we believe that Shareholders benefit from a modest but meaningful amount of gearing (a notable advantage of closed-ended funds compared to open-ended) and expect to maintain approximately this level of gearing during the next financial year.

Share issuance

Taking advantage of the premium rating that the market continued to attach to the Company's shares, a record of

taking advantage of the premium rating that the market continues to attach to the Company's shares, a total of £22,545,000 was raised from new and existing shareholders during the last six-month period, with 44,600,000 ordinary shares issued from the block listing facility. Shares were only issued when the Investment Manager was confident, he could invest the additional funds favourably. As well as a modest benefit to the NAV from any issue of shares, the Board believes that over time, existing Shareholders will benefit from lower ongoing charges and greater liquidity in the Company's shares, all other things being equal.

Your Board

As I set out in the last Annual Report, Wendy Dorman, who was the Audit and Risk Committee Chair has stepped down at the Annual General Meeting ("AGM") in December last year having served for nine years. We will miss her valuable contribution to the Company.

Andrew Dann has succeeded Wendy as Audit and Risk Committee Chair effective 4 December 2025.

I also am very pleased that Ms Joanna Dentskevich has been appointed as a non-executive director with effect from 1 February 2026. This appointment follows a search and selection process managed by an external independent recruitment consultancy. Ms Dentskevich has over 35 years of risk, finance and investment banking experience gained in leading global banks worldwide, alternative investments and the offshore funds industry and has served as a non-executive director on a number of other investment companies. I am delighted to welcome Joanna to the Board.

Outlook

The world may feel turbulent at present but I believe the Company is well positioned for a steadier journey. One reason for this is the portfolio's relatively short duration - between three and four years - which should help to moderate any impact of interest rate and yield movements.

Additionally, the ongoing credit quality of our holdings is critical and, in this regard, we do not anticipate a significant global economic downturn that might materially impair the balance sheets of corporations, including possibly our issuers. Furthermore, the Investment Manager has the support of Manulife | CQS's extensive and experienced team of credit analysts, ensuring continuous and rigorous monitoring of each holding.

Taken together with the portfolio's broad diversification across sectors and issuers, these factors give me confidence that the Company can deliver a full year of attractive dividends and, potentially, a modest level of capital appreciation.

Caroline Hitch
Chair
25 February 2026

Investment Manager's Review

Introduction

It has been difficult for investors and market commentators to look beyond the sheer volume of political and economic news that has come out of the United States ("US") over the past year. In contrast, the UK has been quiet during the last six-month period under review. Growth has been subdued, and inflation is still sticky at between 3.2% and 3.8% per annum. I would categorise the last budget from the Chancellor as a "Tax later, Spend now" exercise which was mainly shrugged off by the market. The hospitality sector has been the hardest hit with minimum wage increases and forthcoming business rate hikes leaving the industry worried about the viability of its businesses post-April 2026. We continue to worry that the UK economy could move into a period of "stagflation" with inflation being stubborn to fall and little economic growth.

In the portfolio, it has been a busy time as companies have looked to refinance their securities. Record share issuance by the Company has provided significant funds to invest in attractive bond issuance opportunities - further details of that are set out below. We have also not seen any shocks in the portfolio from either a capital or revenue perspective, while returns have been good with the NAV total return for the 6 months to 31 December 2025 of +4.85%.

Market and economic review

In previous reports, I have written about how the bond markets in the UK and US have focussed on the increasing costs of financing Government deficits which has resulted in the benchmark 10-year bond yields remaining at elevated levels. Despite several interest rate cuts in the UK during 2025, the 10-year Gilt yield only moved from 4.6% at the end of December 2024 to 4.45% at the end of December 2025. The US 10-year bond has moved over the same period from 4.6% to 4.3% again despite interest rate cuts. We are seeing that markets are looking for higher interest rates to finance large Government deficits, which has real implications as the cost of financing debt reduces governments' ability to spend and grow. In the UK, rates reduced by 50 basis points to reach 3.75% at the end of December. In the US, sticky wage inflation has caused the US Federal Reserve to reduce rates slowly with only a 0.5% reduction to 3.75% seen in the second half of 2025.

Portfolio review

In the portfolio, we saw large calls/early repayments from Aggregated Micro 8% 16-17/10/2036 and Azerion Group 23-02/10/2026 FRN. We also sold our positions in Deutsche Bank AG 14-30/05/2049 FRN and Lloyds Banking 14-29/12/2049 FRN as their relative yields dropped.

We had a record intake of funds as the Company issued new shares in the last six months and have opened new positions in Sherwood Financing 9.625% 24-15/12/2029, Cidron Aida Financing 9.125% 25-27/10/2031 and Wheel Bidco 9.875% 21-15/09/2029. Sherwood Financing 9.625% 24-15/12/2029 and Cidron Aida Financing 9.125% 25-27/10/2031 are also new entries into the top ten in the portfolio. Sherwood Financing 9.625% 24-15/12/2029 is a European fund manager based in Manchester with a focus on investing in private and public credit and is part of the Arrow Global Group. Cidron Aida Financing 9.125% 25-27/10/2031 is part of Advanz Pharma, a global pharmaceutical company headquartered in London. Wheel Bidco is the financing arm of Pizza Express UK.

The Company's foreign currency exposure, other than Sterling, is mainly to the US dollar with 16.62% of the portfolio invested in that currency and a further 9.00% in the Euro and other 'non-Sterling' currencies.

Revenue account earnings for the six months to 31 December 2025 were 2.29p per share compared to the equivalent number of 2.26p for the year earlier. The current balance of revenue reserves provides a good level of comfort for Shareholders.

Outlook

Despite the political turmoil, the UK economy seems to be in a better place with both sentiment and growth improving. Elsewhere, inflation is starting to cool globally and will enable Central Banks to cut rates further to boost economies which should also be a positive for bond markets.

As always geopolitics remain difficult to predict, so it is important to remain diversified. We continue to see opportunities across issuers with strong balance sheets and resilient cash flows, recurring revenues and earnings visibility. The attractive yields in the Company's portfolio should provide investors with the potential for meaningful income and improved risk adjusted returns.

Ian "Franco" Francis
New City Investment Managers
25 February 2026

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