

29 June 2026

CQS New City High Yield Fund Limited
(the Company or Fund)

Monthly Factsheet as at 31 May 2026

The Company's Fact Sheet as at 31 May 2026 has been issued and is available for inspection on the Company's website, <https://ncim.co.uk/cqs-new-city-high-yield-fund-ltd/>.

Ian 'Franco' Francis, Investment Manager at New City High Yield Fund, comments:

"The UK economy continued to face a more challenging backdrop in May, with increasing pressure stemming from political uncertainty, the introduction of higher business costs in April, and the ongoing impact of the conflict in the Middle East. Together, these factors are contributing to a more complex inflation environment, alongside emerging signs of softening demand. While manufacturing activity has been supported in recent months by inventory build-up, this effect is likely to prove temporary as stock levels across both producers and customers approach capacity.

Inflation remains a key concern, with higher input costs increasingly being passed through to end consumers. Much of the recent upward pressure has been driven by developments in the Middle East, particularly through elevated oil and gas prices, as well as higher fertiliser costs impacting agriculture. Even in the event of a relatively swift resolution to the conflict, supply chains and pricing dynamics are likely to take time to stabilise.

This environment presents a clear policy challenge for the Bank of England, which must balance the need to contain inflation against the risk of further weakening economic activity. UK government bond markets reflected this uncertainty, with yields exhibiting notable volatility over the month. The 10-year gilt yield moved sharply, falling by around 1 percentage point before rising by approximately 2.7 points, ultimately ending around 1.5 points higher at close to 5%. This continued sensitivity highlights the degree of uncertainty surrounding the future path of interest rates and the broader macroeconomic outlook.

In Europe, economic conditions deteriorated further during May. Rising cost pressures linked to the conflict, alongside ongoing supply chain disruptions, weighed on growth and added to inflationary pressures. The services sector, which had previously provided resilience, is increasingly being affected by higher living costs, particularly energy prices. Manufacturing, by contrast, is already showing signs of weaker demand following earlier stock building, a trend that may become more evident across other regions in the coming months. The European Central Bank faces a similarly complex backdrop, needing to balance inflation against slowing growth and rising unemployment, particularly in larger economies such as France and Germany.

In the United States, the manufacturing sector showed more positive momentum, with employment increasing at the fastest pace since April 2024, supported by improved order trends and expectations of increased domestic production. However, this strength has been accompanied by renewed pressure on supply chains and input costs, with inflation reaching its highest level since November 2022. Some of this activity reflects precautionary inventory building, which may not be sustained unless demand continues to strengthen. Should this not materialise, there is a risk of a subsequent slowdown in orders and renewed pressure on employment.

The services sector remained comparatively subdued, with only modest growth in new business reported. Demand conditions continue to be constrained by rising input costs and broader inflationary pressures, weighing on overall sentiment.

For the company the 3rd interim dividend of 1p/share was paid at the end of the month.

For the portfolio, we opened a holding in Burford Capital 9.25% 2031 a legal finance company. We added to TVL finance 10.25% 2028(Travelodge) and Cidron Aida Finco 9.125% 2031 (Advanz Pharmaceuticals). In the equity element of the portfolio selling the rest of our holding in Palace Capital equity."

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For Further Information

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About the Company

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 <https://ncim.co.uk/cqs-new-city-high-yield-fund-ltd/>

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