

# Key Features of the New City Investment Managers Limited Individual Savings Account

## What is an Individual Savings Account (“ISA”)?

An ISA is a way of investing money without having to pay income or capital gains tax on any profits made or dividend income received.

There are two types of ISA: a Stocks and Shares ISA and a cash ISA. The annual limit is £7,200, of which up to £3,600 can be held in a cash ISA.

The New City Investment Managers Limited (NCIM) ISA is a Stocks and Shares ISA.

## Its aims

The NCIM ISA provides a cost-effective way of investing in the ordinary shares of City Natural Resources High Yield Trust plc and New City High Yield Fund Limited (“City Natural Resources”, “New City High Yield” or “the Companies”) without incurring any initial or annual plan charges for doing so. The costs of administering the Plan are paid for by the Companies directly rather than by individual plan holders.

The investment objective of City Natural Resources is to provide shareholders with capital growth and income from a portfolio of mining and resource equities and of mining, resource and industrial fixed interest securities.

The investment objective of New City High Yield is to provide investors with a high dividend yield and the potential for capital growth by investing mainly in high yielding fixed interest securities.

City Natural Resources had shareholders’ funds of £70.3m at 30 November 2008. The capital of the Company consists of ordinary shares and warrants. The warrants confer the right to subscribe for one ordinary share for 85p on 31 October 2009 or, if later, 30 days from the date on which the audited accounts of the Company are despatched to shareholders.

New City High Yield had shareholders’ funds of £54.4m at 30 November 2008. The capital of the Company consists of ordinary shares of no par value.

## Your investment

You may invest either a lump sum or regular monthly savings, subject to the following amounts. The Plan will accept lump sum investments with a minimum of £1,000 or regular investments with a minimum of £100 a month. A maximum of £7,200 may be invested in the ISA each tax year. You can invest additional lump sums of £500 or more and can increase your monthly savings at any time. You may also choose to invest in either one of, or in both of, the two companies by specifying a percentage split.

Investments may only be made in cash unless you are transferring an ISA from another ISA manager.

Shares are acquired for ISAs either in the stockmarket or, where appropriate, through the issuing of new shares by the Companies at no less than 101% of the net asset value (“NAV”), whichever method would be cheaper to the investor.

When shares are issued by the Companies, no stamp duty is payable by the investor.

You may close your ISA and sell all your shares at any time.

## Risk factors

The favourable tax treatment given to ISAs may not be maintained. The rates of and reliefs from taxation depend on your own circumstances and may change over time.

The price of City Natural Resources and New City High Yield shares is determined by supply and demand and is not necessarily the same as the underlying NAV per share. It may be higher than (at a premium to) or lower than (at a discount to) the NAV.

Stockmarket and currency movements may cause the value of your investment and the income received from it to fall as well as rise and you may not get back the amount you originally invested.

The use of borrowings by the Companies may increase the volatility of the net asset value per share. In addition, if the Companies have borrowings in place, a movement in the Companies gross assets may result in a magnified movement, either favourable or unfavourable, in the net asset value of the Companies.

Although no charges are levied within the ISA, the Companies themselves (like all public limited companies, including other investment companies) incur operating expenses which reduce the return to shareholders from their portfolios.

The government has set certain voluntary standards for ISAs. The standards refer to Cost, Access and Terms and are known as CAT standards. The New City Investment Managers Limited ISA is not a CAT standard ISA. It should be noted that the CAT standard does not mean the government guarantees an ISA or that the ISA is suitable for you. The CAT standard does not guarantee future performance.

## Characteristics of the Companies

City Natural Resources is an investment trust, a public limited company the shares of which are traded on the London Stock Exchange.

New City High Yield is a closed-end investment company incorporated with limited liability in Jersey; its shares are traded on the London Stock Exchange.

The Companies sole business is investing in the shares of other companies.

## **Your questions answered**

### ***How do I invest?***

You should complete the enclosed application form and return it to NCIM ISA, Halifax Share Dealing Limited, Lovell Park Road, Leeds, LS1 1NS.

Lump sum investments must be made by cheque (payable to NCIM) unless you already have a NCIM ISA in which case you can subscribe by direct debit. Regular investments are made by direct debit. (However, your first month's savings should be made by cheque.) You should also complete the direct debit instruction on the application form.

You will receive a welcome pack which will confirm your account information, and a contract note for each transaction. You will not receive a share certificate.

Shares bought for you will be held on your behalf by HSDL Nominees Limited, Trinity Road, Halifax, HX1 2RG or any nominee subsequently appointed by the Board.

### ***How can I follow the progress of my investment?***

Every six months you will receive a statement of your holding and a description of any transactions that have taken place in the previous six months.

The share price, estimated NAV, discount/premium, and dividend yield can be found in the Financial Times. These details can also be obtained from the ISA Manager on 0845 850 0181 \*. You will receive copies of all shareholder communications and will be entitled to vote at any General Meeting of the Companies.

### ***Is there a transfer-in facility?***

You may transfer the cash value of other Stocks and Shares ISAs held with other ISA managers into the NCIM ISA. This is done by completing a transfer application form, which is available on request from the ISA Manager. Any transfer-in of the current year's subscription must be from another ISA and you must transfer the whole subscription. You can transfer-in previous years' subscriptions in whole or in part. The previous ISA manager may charge for making the transfer.

We do not accept cash ISAs.

### ***What income will I receive?***

Dividends are paid net four times a year, usually in February, May, August and November. You can elect to have dividends reinvested into your ISA to buy further shares. Alternatively, if you wish, you may have them paid into your bank account.

As at 31 December 2008, the estimated net yield on the ordinary shares was 3.5 per cent for City Natural Resources and 8.6 per cent for New City High Yield.

### ***What are the tax implications?***

There is no tax to pay on capital gains made within the ISA.

Both Companies are exempt from tax on capital gains realised within their investment portfolios.

New City High Yield is not an investment trust, but offshore investment companies are exempt from tax on capital gains realised within their investment portfolios.

### ***How will charges and expenses affect my investment?***

Like all shares traded on the London Stock Exchange, investment trust shares are priced at an "offer" price when you buy and at a "bid" price when you sell. The difference between these is the "spread", which can differ according to the number of shares being bought or sold and the availability of shares in the market. Information on the spread can be obtained from the ISA Manager.

There are no charges for the ISA. The costs of administering the ISA are paid by the Companies directly.

Any costs of buying shares would be your proportionate part of the total dealing costs, which may include stockbrokers' commissions, and stamp duty.

There are no charges for selling shares.

**New City High Yield** incurs certain expenses, as follows:

- The annual management fee is 0.8 per cent of the Company's net assets. Further details are given in the Annual Report and Accounts. This fee rate may be changed only with the agreement of the Board of Directors.
- Other expenses such as directors' remuneration, secretarial fees, audit fees, ISA and Investment Plan fees and registration fees amount to an additional cost of approximately 0.7 per cent per annum of shareholders' funds.

The following tables illustrate the effects of the operating expenses and buying and selling costs for a lump sum investment of £7,200 and regular investment of £600 a month. The figures are based on a total investment return of 7.0 per cent a year and the spread as at 31 December 2008. All firms use the same rates of growth for projections but their charges vary. All dividends and interest on cash balances are assumed to be reinvested. These figures are examples only and are not guaranteed – they are not minimum or maximum amounts. What you will get back depends on how your investment grows and on the tax treatment of the investment. You could get back more or less than this. Do not forget that inflation would reduce what you could buy in the future with the amounts shown.

\* Calls from BT landlines will cost a maximum of 4p per minute and a 6p call-set up fee. The price of calls from other telephone companies will vary. The call price is correct at the time of printing.

## LUMP SUM INVESTMENTS†

End of year	Investment to date (£)	Effect of expenses to date (£)	What you might get back (net) assuming 7.0 per cent a year growth (£)
1	7,200	464	7,240
3	7,200	776	8,044
5	7,200	1,161	8,937
10	7,200	2,536	11,627

## REGULAR SAVINGS†

End of year	Investment to date (£)	Effect of expenses to date (£)	What you might get back (net) assuming 7.0 per cent a year growth (£)
1	7,200	401	7,069
3	21,600	1,643	22,373
5	36,000	3,582	39,377
10	72,000	12,599	90,613

The last line in each table shows what the effect of the expenses could be over ten years. For lump sum investments, the total expenses could amount to £2,536. Putting it another way, this would have the effect of bringing down investment growth from 7.0 per cent a year to 4.9 per cent a year.

For regular savings, the total expenses over ten years could amount to £12,599. Putting it another way, this would have the effect of bringing down investment growth from 7.0 per cent a year to 4.5 per cent a year.

**City Natural Resources** incurs certain expenses, as follows:

- The annual management fee is 1.2 per cent of the Company's net assets. Further details are given in the Annual Report and Accounts. This fee rate may be changed only with the agreement of the Board of Directors.
- Other expenses such as directors' remuneration, secretarial fees, audit fees, ISA and Investment Plan fees and registration fees amount to an additional cost of approximately 0.3 per cent per annum of shareholders' funds.
- Some of the Company's expenses may be subject to VAT at the prevailing rate.

The tables below illustrate the effects of the operating expenses and buying and selling costs for a lump sum investment of £7,200 and regular investment of £600 a month. The figures are based on a total investment return of 7.0 per cent a year and the spread as at 31 December 2008. All firms use the same rates of growth for projections but their charges vary. All dividends and interest on cash balances are assumed to be reinvested. These figures are examples only and are not guaranteed – they are not minimum or maximum amounts. What you will get back depends on how your investment grows and on the tax treatment of the investment. You could get back more or less than this. Do not forget that inflation would reduce what you could buy in the future with the amounts shown.

## LUMP SUM INVESTMENTS†

End of year	Investment to date (£)	Effect of expenses to date (£)	What you might get back (net) assuming 7.0 per cent a year growth (£)
1	7,200	483	7,221
3	7,200	798	8,022
5	7,200	1,185	8,913
10	7,200	2,567	11,596

## REGULAR SAVINGS†

End of year	Investment to date (£)	Effect of expenses to date (£)	What you might get back (net) assuming 7.0 per cent a year growth (£)
1	7,200	420	7,050
3	21,600	1,703	22,313
5	36,000	3,688	39,271
10	72,000	12,842	90,369

† Source: F&C Investment Business Limited

The last line in each table shows what the effect of the expenses could be over ten years. For lump sum investments, the total expenses could amount to £2,567. Putting it another way, this would have the effect of bringing down investment growth from 7.0 per cent a year to 4.9 per cent a year.

For regular savings, the total expenses over ten years could amount to £12,842. Putting it another way, this would have the effect of bringing down investment growth from 7.0 per cent a year to 4.5 per cent a year.

### **What are the charges for?**

There are no charges for the ISA. The expenses shown cover the Companies' operating expenses and the appropriate buying and selling costs.

### **Other Administration Charges**

Transfer out of shares electronically to another stockbroker	£15 per investment
Transfer out of shares electronically to another ISA manager	£15 per investment
Ad hoc statement or valuation (on request)	£30 per item**
Certified withdrawal of stock**	£25 per investment
Voiding of ISA	£65**
ISA closure fee/transfer fee	£40**
Repair of ISA	£30**

Charges for duplicate copies of statements and tax certificates may be payable. If a charge applies, we will tell you before we arrange to supply copies.

\*\*These charges are subject to VAT at the prevailing rate

### **Can I withdraw my application?**

No, cancellation rights are not provided for these investments. After your investment is made you will be able to withdraw in full only if you close your Plan. You can do this at any time and this exceeds your rights to cancel under the Distance Marketing Directive.

### **How can I close my ISA?**

You may close your Stocks and Shares ISA for cash or stock at any time by informing Halifax Share Dealing Limited in writing or by telephone. You may also transfer your Stocks and Shares ISA to another Stocks and Shares ISA Manager (but not to a Cash ISA). If you are making regular investments, you should stop your payments and inform Halifax Share Dealing Limited in writing or by telephone of your intention to close or transfer your ISA.

## **Further information**

### **Dealing**

Dealing normally takes place daily. All purchases, including the reinvestment of any dividends, will be made daily. Lump sum subscriptions will be invested on the first dealing day following receipt of funds. For monthly investments, the direct debit will be collected on or around the third of the month for investment on the first dealing day following collection. Any money waiting to be invested will be held on your behalf in a non-interest bearing bank account. Shares will be bought at the price ruling at that time.

Halifax Share Dealing Ltd (HSDL) may buy, sell or subscribe for investments for you and other customers as part of the same deal. When they do this, they must reasonably believe that they will obtain a more favourable price than if they had bought or sold your investments separately. However, it could result in a slightly less favourable price than a sale or purchase of your investments alone.

### **Selling shares or transferring your ISA**

To sell shares or transfer your ISA a written or telephone instruction should be made to Halifax Share Dealing Limited. You will be sent a contract note confirming the number of shares sold, the price and the settlement date. The sale proceeds will be the number of shares sold times the market price at the time of the sale.

### **ISA Administrator & Plan Manager**

The Administrator is Halifax Share Dealing Limited, Registered in England No. 3195646 Registered Office: Trinity Road, Halifax, HX1 2RG. Authorised and regulated by the Financial Services Authority, a Member of the London Stock Exchange and an HM Revenue & Customs approved ISA Manager.

### **ISA Manager**

As the Plan Manager, HSDL acts as agent for buying and selling shares in respect of investments in the ISA. It is also responsible for holding shares, dividends and any other rights or proceeds in respect of investments in these products.

The Plan Manager is covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the scheme if the Plan Manager cannot meet its obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for 100% of the first £30,000 and 90% of the next £20,000, so the maximum compensation is £48,000. Further information about compensation arrangements is available from the Financial Services Compensation Scheme.

### **Investment Manager**

The Companies investment manager is New City Investment Managers Ltd, CQS Cayman Limited Partnership, 5th Floor, 33 Grosvenor Place, London, SW1X 7HY.

### **Nominee**

The Nominee is HSDL Nominees Limited, Trinity Road, Halifax, HX1 2RG.

### **Alterations to the ISA**

HSDL may alter the ISA or cease to act as an ISA Manager at any time. You will be given written notification in advance of any alteration and advised of your options. Further details can be found in the Terms and Conditions of the ISA.

### **Queries and complaints**

If you have any queries or complaints about the administration of the ISA, please contact HSDL at the address given in the Nominee Section. If the complaint is not investigated to your satisfaction you have the right to refer it to The Financial Ombudsman, South Quay Plaza, 183 Marsh Wall, London E14 9SR (Tel: 0845 080 1800).

Making a complaint will not prejudice your right to take legal proceedings.

### **Corporate activity**

Where appropriate, if either City Natural Resources and /or New City High Yield is involved in a rights issue, a takeover bid or anything similar, you will be given information to allow you to take whatever action you decide on.

### **Additional information**

Further information on City Natural Resources and New City High Yield and their Investment Manager can be found in the Companies' Annual Report and Accounts and monthly Fact Sheet, copies of which are available on request. You should telephone HSDL on 0845 850 0181 for any information you require.

### **How your personal data is used**

Like other financial organisations, HSDL are legally obliged to collect, verify and record information confirming customer identity and to report details of suspicious transactions to the Serious Organised Crime Organisation. For more details please contact HSDL.

**For details of the main credit reference agencies used please contact HSDL.**