

Key Features of the New City Investment Managers Limited Investment Plan

Its aims

The New City Investment Managers Limited (NCIM) Investment Plan ("the Plan") 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, 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. There is no maximum investment. 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.

Shares are acquired for Plans 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 Plan and sell all your shares at any time.

Risk factors

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.

The value of shares and the income from them is not guaranteed and can fall as well as rise due to stockmarket and currency movements. Past performance is not a guide to future investment returns. When you sell your shares you may get back less than 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, movements 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 Plan, the Companies themselves (like all public limited companies, including other investment companies) incur operating expenses which reduce the return to shareholders from their portfolios.

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 Investment Plan, 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 an NCIM Investment Plan, in which case you can subscribe by debit card. Regular investments are made by direct debit; you should 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 prices, estimated NAVs, discounts/premiums, and dividend yields can be found in the Financial Times. These details can also be obtained from the Plan 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.

What income will I receive?

Dividends are paid net of tax four times a year, usually in February, May, August and November. All dividends may either be reinvested in your plan to buy further shares or paid to your nominated 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?

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

Dividends reinvested through the Plan will be treated as income received by the Planholder for tax purposes.

Rates of and relief from taxation depend on your own circumstances and may change over time.

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 Plan Manager.

All UK share purchases are subject to 0.5 per cent stamp duty. There are no other charges for the Plan. The costs of administering the Plan are paid by the Companies directly.

Any costs of buying 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.

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 £3,000 and regular investment of £250 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 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	3,000	201	3,009
3	3,000	332	3,343
5	3,000	494	3,714
10	3,000	1,070	4,832

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	3,000	175	2,937
3	9,000	709	9,297
5	15,000	1,537	16,363
10	30,000	5,351	37,654

† Source: F&C Investment Business Ltd

* 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.

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 £1,070. 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 £5,351. 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.

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 tables below illustrate the effects of the operating expenses and buying and selling costs for a lump sum investment of £3,000 and regular investment of £250 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 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	3,000	193	3,017
3	3,000	323	3,352
5	3,000	484	3,724
10	3,000	1,057	4,845

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	3,000	167	2,945
3	9,000	684	9,322
5	15,000	1,492	16,407
10	30,000	5,249	37,755

† 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 £1,057. 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 £5,249. 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 Plan. 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
Ad hoc statement or valuation (on request)	£30 per item**
Certified withdrawal of stock**	£25 per investment

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 Plan?

You may close your Plan at any time by informing Halifax Share Dealing Limited in writing or by telephone. If you are making regular investments, you should stop your payments and inform Halifax Share Dealing Limited in writing of your intention to close your Plan.

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

To sell shares 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.

Plan Administrator & Manager

The Plan Administrator and Plan Manager is Halifax Share Dealing Limited, Registered in England No. 3195646 Registered Office: Trinity Road, Halifax, West Yorkshire 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.

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 Plan

HSDL may alter the Plan or cease to act as a Plan 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 Plan.

Queries and complaints

If you have any queries or complaints about the administration of the Plan, 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.

Compensation

Details of any compensation to which you might be entitled should the Plan Manager be unable to meet any of its liabilities to you can be requested from HSDL.

Corporate activity

Where appropriate, if either City Natural Resources and/or New City High Yield is/are 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.