

To: RNS
Date: 18 November 2011
From: New City High Yield Fund Limited

Interim Management Statement

For the Three Month Period from 1 July 2011 to 30 September 2011

Investment Objective

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

Performance Summary

	For the three month period ended 30 September 2011		
Total Return			
Net asset value per share		-8.3%	
Ordinary share price		-7.8%	
Capital Values	As at 30 September 2011	As at 30 June 2011	% Change
Net assets	£108.1 million	£120.6 million	
Net asset value per share	53.13p	59.30p	-10.4%
Share price	58.75p	63.75p	-7.8%
Premium	10.6%	7.5%	
Gearing (100 = nil geared position) *	109	109	

- Gearing = Total assets ÷ Equity Shareholders' Funds

Review for the Period:

In the last quarter I alluded to the idea that the global economic background and Europe in particular was like the 1995 film "Groundhog Day" without the humour of Bill Murray or the beauty of Andie MacDowell; this was a theme that continued throughout the quarter.

We have always believed that the cost of borrowing represents confidence in the ability of the borrower to pay the interest and repay or re-finance the debt. This confidence is absent, as we have seen with Greece, Ireland and Portugal during the quarter and subsequently spreading to Italy and Spain.

After many months of speculation about the state of the US economy, the US Government debt was finally downgraded by Standard and Poors at the beginning of August. It came as a surprise to many when US debt became more of a safe haven, witnessed by the fall in treasury yields, while corporate bond markets and equities suffered two weeks of utter mayhem at a time when markets are historically illiquid.

Then in September, the Swiss National Bank ('SNB') intervened to correct the "current massive overvaluation of the Swiss franc" on the 6th of the month – aiming to substantially weaken the Swiss franc, actively selling against the Euro in particular. The SNB stated it will enforce its aim of devaluation with the "utmost determination" and buy foreign currency in "unlimited quantities". Even at the time of writing (early November) with a EUR/CHF rate of 1.24, the Swiss franc is still high and the SNB would like it to weaken over time.

As a result of the ongoing fears, the quoted spreads on all securities widened, volumes were very low and the volatility of markets was extremely high.

The Company's Metals Ex convertible was redeemed at par at the beginning of September, while the volatility of the markets allowed profit to be taken on the Investec 9⁵/₈ 2022 which was reinvested into the Co-op 9¹/₄ 2021.

Noreco, an issuer in which the Company had previously invested, sold its South Arne field for \$200m, realising a gain of more than \$50m on the sale, largely compensating for the \$60m loss on its Siri field earlier in the year. Having sold the 12.9% 2014 NOK bonds at 105¹/₂ in early April, we felt that this was an opportunity to re-enter Noreco, buying back the 12.9% 2014 NOK bonds at 94. This purchase was funded by the sale of the Morpol FRN back to the company which had outperformed the Norwegian high yield market

Another piece of positive news was the "giant oil discovery" by STATOIL linking the Aldous and Araldsnes structures, potentially doubling the size of the resource. Detnor has a 20% interest in the field and this news was positive for the rating of the Dentor's debt.

Dividend:

A fourth interim dividend for the year to 30 June 2011 of 1.32p per share was paid on 26 August 2011 to shareholders on the register on 29 July 2011.

Top Ten Holdings as at 30 September 2011

Company	Sector	Percentage of total assets
Balfour Beatty 10.75% Cum Pref	Construction	4.0
AMI 31/10/13 10% Cv	Oil & Gas	3.9
REA Finance 9.5% 31/12/17	Food products	3.7
Skipton 10% 12/12/18	Financial	2.6
Brit Insurance 6.625% 9/12/30	Insurance	2.2
Phoenix Life 7.25% 23/07/49	Insurance	2.2
Santos Finance 8.25% 22/09/70	Oil and Gas	2.1
Cable & Wireless 8.625% 25/03/19	Telecommunications	2.1
Tullett Prebon 7.04% 06/07/16	Financial	2.1
Beazley Group 7.25% 17/1/26	Real Estate	1.9
Total		<u>26.8</u>

Analysis of Investments by Currency as at 30 September 2011

	Percentage of total investments
Sterling	58
US Dollar	13
Australian Dollar	12
Euro	8
Norwegian Krone	6
Canadian Dollar	3
Total	<u>100</u>

Analysis of Investments by Asset Class as at 30 September 2011

	Percentage of total investments
Bonds	71
Convertibles	15
Preference shares	10
Equities	4
Total	<u>100</u>

Analysis of Investments by Quotation as at 30 September 2011

	Percentage of total investments
Listed/Quoted on a recognised investment exchange	96
Unquoted (convertible into a security quoted on a recognised exchange)	3
Unquoted	1
Total	<u>100</u>

Significant Events or Transactions since 30 September 2011

A first interim dividend for the year to 30 June 2012 of 0.88p per share was declared on 20 October 2011. This dividend is payable to shareholders on the register on 28 October 2011 and will be paid on 25 November 2011.

On 15 November 2011 the Company issued 16,863,332 new ordinary shares of no par value at a price of 55.05p per share. Following this issue the Company's issued share capital consists of 220,267,581 ordinary shares, none of which are held in treasury.

The Board is not aware of any other significant events or transactions which have occurred since 30 September 2011 and the date of publication of this statement which would have a material impact on the financial position of the Company.

Daily and Key Information

Further information regarding the Company including the share price and the recent monthly fact sheet, can be found at the Investment Manager's website www.ncim.co.uk

Disclaimer

This interim management statement has been prepared solely to provide information to meet the requirements of the UK Listing Authority's Disclosure and Transparency Rules.

For further information please contact:
Ian Francis, New City Investment Managers
020 7201 5366

Martin Cassels, F&C Investment Business Limited
020 7628 8000