

To: RNS
Date: 19 November 2010
From: New City High Yield Fund Limited

Interim Management Statement

For the Three Month Period from 1 July 2010 to 30 September 2010

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 2010		
Total Return			
Net asset value per share		+8.6%	
Ordinary share price		+9.8%	
	As at 30 September 2010	As at 30 June 2010	% Change
Capital Values			
Net assets	£94.9 million	£81.2 million	
Net asset value per share	56.28p	52.99p	+6.2%
Share price	60.50p	56.25p	+7.6%
Premium	7.5%	6.2%	
Gearing (100 = nil geared position) *	105	109	

* Gearing = Total assets ÷ Equity Shareholders' Funds

Review for the Period:

A volatile, yet positive, market for the high yield sector over the summer period with the consolidated ITRAXX Index falling from a margin of 573.6bp over Bunds to 504.34bp at the end of September. (Source: Bloomberg).

Sterling too had a volatile period over the summer:

	30 th June	30 th September
Euro/Stg	1.2215	1.1524
US \$/Stg	1.4945	1.5786
CA\$/Stg	1.5900	1.6177
AUS\$/Stg	1.7776	1.6280
NOK/Stg	9.7169	9.2350

The Euro's strength was due mostly to a quiet period in the news flow on the sovereign debt markets. The US Dollar weakness was a combination of poor recovery in US consumer confidence, lack of recovery in the housing market and high unemployment fuelled worries that the US could slip back into recession. The Canadian Dollar had a quiet period, whilst the greatest volatility was in the Australian Dollar with initial weakness due to the telegraphed mining taxes being countered by the removal of Kevin Rudd as Prime Minister by Julia Gillard and the watering down of the tax regime. Also in the quarter was the Australian General Election, which took 2½ weeks to form a coalition; all of this could not derail the commodity fuelled strength of the currency. Finally the Norwegian Kroner had a positive quarter on the back of the strengthening oil price.

The Company continued with its strategy of selling bonds which had performed well and which were trading well above par and therefore were in danger of having a negative effect upon the capital element of the company, and, reinvesting into bonds of the companies with similar or greater running yields trading at or below par. An example of this was the sale of First Hydro Finance 9% 2021 and the reinvestment into Enterprise Inns 6½% Debenture 2018 and the Aberdeen Asset Management 7.9% Perpetual. Also in the period the Coutts Consulting 8% loan stock was redeemed at par, decreasing the exposure and number of stocks in the unlisted area of the portfolio.

Going forward the company continues to look for high yielding opportunities to enhance its performance.

Dividend:

A fourth interim dividend for the year to 30 June 2010 of 1.20p per share was paid on 27 August 2010 to shareholders on the register on 30 July 2010.

Share Issue

On 13 September 2010 the Company allotted 15,330,302 ordinary shares of no par value, under its block listing facility, for cash at 56.33p per share. As at 30 September 2010 there were 168,633,330 ordinary shares in issue.

Top Ten Holdings as at 30 September 2010

Company	Sector	Percentage of total assets
Balfour Beatty 10.75% Cum Pref	Construction	4.9
AMI 31/10/13 10% Cv	Oil & Gas	4.4
REA Finance 9.5% 31/12/17	Food products	4.0
Cable & Wireless 8.625% 25/03/19	Telecommunications	2.8
Tullett Prebon 7.04% 06/07/16	Financial	2.8
Skipton 10% 12/12/18	Financial	2.5
Beazley Group 7.25% 17/1/26	Real Estate	2.4
Katanga Mining 14% 30/11/13	Mining	2.0
Western Area 8% Cv 02/07/12	Mining	1.8
Scottish Mutual 7.25% 25/03/21	Insurance	1.7
Total		29.3

Analysis of Investments by Currency as at 30 September 2010

	Percentage of total investments
Sterling	58
Euro	11
US Dollar	11
Australian Dollar	10
Norwegian Krone	6
Canadian Dollar	4
Total	<hr/> 100 <hr/>

Analysis of Investments by Asset Class as at 30 September 2010

	Percentage of total investments
Bonds	68
Convertibles	22
Preference shares	7
Equities	3
Total	<hr/> 100 <hr/>

Analysis of Investments by Quotation as at 30 September 2010

	Percentage of total investments
Listed/Quoted on a recognised investment exchange	92
Unquoted (convertible into a security quoted on a recognised exchange)	7
Unquoted	1
Total	<hr/> 100 <hr/>

Significant Events or Transactions since 30 September 2010

A first interim dividend for the year to 30 June 2011 of 0.85p per share was declared on 21 October 2010. This dividend is payable to shareholders on the register on 29 October 2010 and will be paid on 26 November 2010.

On 18 November the Company announced that commitments and applications had been received to subscribe for new ordinary shares pursuant to a Placing and Public Offer with an aggregate value of £20.1 million. Approximately 34.8 million ordinary shares are expected to be issued at a price of 57.7 pence per share.

The Board is not aware of any other significant events or transactions which have occurred since 30 September 2010 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