

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should consult immediately your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 or, if you are in a country outside the United Kingdom, another appropriately authorised independent financial adviser.

A copy of this document, which comprises a circular prepared in accordance with the listing rules made by the FSA under section 73A of the Financial Services and Markets Act 2000 (the "**Listing Rules**"), has been filed with the FSA in accordance with rule 9.6.1 of the Listing Rules.

If you were a shareholder and have sold or otherwise transferred all your shares in New City High Yield Trust plc (the "**Company**"), please send this document at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

New City High Yield Fund Limited

(A closed-end company incorporated with limited liability under the laws of Jersey with registered number 95691)

Directors
J G West (*Chairman*)
G D P Breeze
A F Carey
A J R Collins
G D Ross

Registered Office
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Jersey JE4 8PW
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2 November 2010

Dear Shareholder

PLACING AND OFFER FOR SUBSCRIPTION OF NEW ORDINARY SHARES OF NO PAR VALUE ("ORDINARY SHARES")

As I mentioned in my Statement in this year's Report and Accounts, your Company, for the third successive year, completed a share issue equivalent to 9.99 per cent of the Company's issued Ordinary Shares in September 2010, raising £8.6 million from existing and new investors. As well as a modest increase in the net asset value per existing Ordinary Share, shareholders can expect to benefit from a lower total expense ratio and greater liquidity in the Ordinary Shares as result of this issue.

The demand for Ordinary Shares in the recent share issue was considerably in excess of the number of Ordinary Shares available. Accordingly, the Company is seeking to raise between £15.0 million and £25.0 million, before expenses, through a placing and offer for subscription of new Ordinary Shares (the "**Placing**" and the "**Public Offer**" respectively). The Placing and Public Offer will open for applications following publication of a prospectus relating to the Company (the "**Prospectus**") and will close at 5.00 p.m. on 16 November 2010.

The Prospectus will contain information regarding the Company, including risk factors associated with an investment in the new Ordinary Shares, and the Placing and Public Offer, together with details of how you can apply for new Ordinary Shares under the Public Offer. An application form for use in connection with the Public Offer will form part of the Prospectus. **Any decision to apply for new Ordinary Shares pursuant to the Placing or Public Offer should be made only on the basis of the information contained in the Prospectus.**

The Company expects to publish the Prospectus on or around 5 November 2010. The Prospectus will not be posted to shareholders, but will be available at <http://www.ncim.co.uk/NChome.shtml>. Alternatively, you can request that a copy of the prospectus be sent to you by calling 0131 718 1057.

This letter has been sent to you solely to inform you of the proposed Placing and Public Offer. You do not need to take any action unless you wish to apply for new Ordinary Shares under the Public Offer, in which case you should obtain a copy of the Prospectus in accordance with the instructions set out in the previous paragraph.

Yours faithfully

J G West
Chairman