

newcity  
high yield fund limited



Interim Report

31 December 2011

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## Corporate Summary

New City High Yield Fund Limited is a closed-end investment company and was incorporated with limited liability in Jersey on 17 January 2007. The Company's ordinary shares are listed on the main market of the London Stock Exchange and on the Channel Islands Stock Exchange. The net assets of the New City High Yield Trust plc were rolled over into New City High Yield Fund Limited with a effect from 7 March 2007.

New City High Yield Fund Limited issued one ordinary share for every one New City High Yield Trust plc share then held.

## 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.

## Dividends

In the absence of unforeseen circumstances the Company will aim to at least maintain the level of dividends paid in respect of each financial year. There can be no guarantee that this will be achieved.

The following table shows the net revenue for each period less the dividends declared in respect of the financial period to which they relate.

	Six months ended 31 December 2011		Six months ended 31 December 2010		Year ended 30 June 2011	
	£'000	Rate (pence)	£'000	Rate (pence)	£'000	Rate (pence)
Revenue profit	5,174		3,980		8,704	
Dividends declared	(3,728)	1.76p <sup>(i)</sup>	(3,162)	1.70p <sup>(ii)</sup>	(7,576)	3.87p <sup>(iii)</sup>
	1,446		818		1,128	

(i) Relates to the first two interim dividends (each 0.88p) declared in respect of the year to 30 June 2012;

(ii) Relates to the first two interim dividends (each 0.85p) declared in respect of the period to 30 June 2011;

(iii) Relates to the first three interim dividends (each 0.85p) and the fourth interim dividend (1.32p) declared in respect of the year to 30 June 2011.

In accordance with International Financial Reporting Standards ('IFRS') dividends are not included as a liability in the accounts when they are declared, but are accounted for in the period during which they are paid.

Dividends are paid quarterly in February, May, August and November, with each of the dividends having an ex-dividend date in the previous month.

## Important Information

Past performance is not necessarily a guide to future performance. The value of investments and income from them may go down as well as up and are not guaranteed. Changes in rates of exchange may cause the value of investments to fluctuate. Net asset value performance is not linked to share price performance, and shareholders may realise returns that are lower or higher in performance.

**If you have sold or otherwise transferred all of your ordinary shares in New City High Yield Fund Limited, please forward this document as soon as possible to the purchaser or transferee, or to the stockholder, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.**

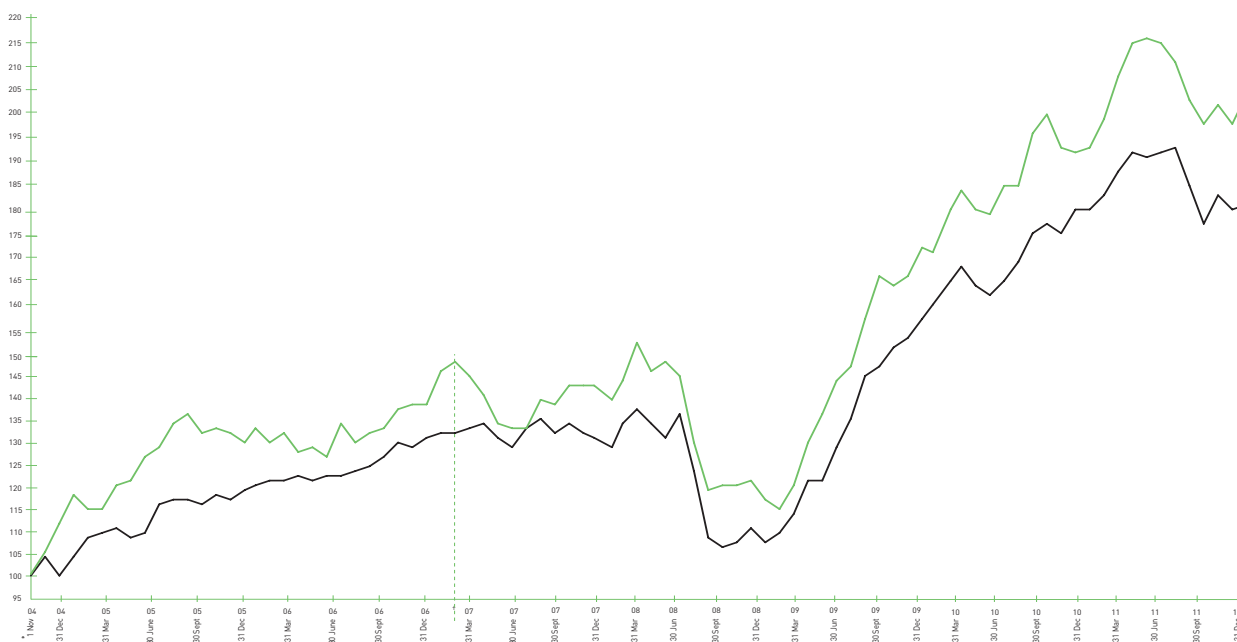


## Financial Highlights

For the six months ended 31 December 2011

- Net asset value total return of -6.1 per cent since 1 July 2011.
- Ordinary share price total return of -5.2 per cent 1 July 2011.
- Dividend yield of 6.9 per cent, based on dividends at an annualised rate of 3.96p and a share price of 57.1p at 31 December 2011.
- £9.1 million raised through a block listing facility and placing with both existing and new investors.
- Ordinary share price at a premium of 6.7 per cent to net asset value at 31 December 2011.

**Net Asset Value Total Return and Share Price Total Return of New City High Yield Fund Limited and New City High Yield Trust plc since 1 November 2004.**



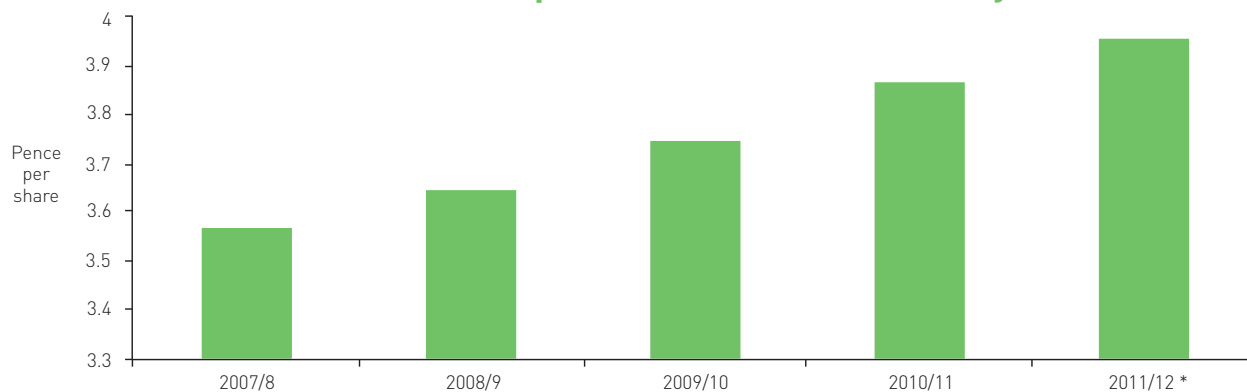
\*Midas Capital Partners Limited appointed Investment Manager of New City High Yield Trust plc on 1 November 2004.

†The net assets of New City High Yield Trust plc were rolled over into New City High Yield Fund Limited with effect from 7 March 2007. New City High Yield Fund Limited issued one ordinary share for every one New City High Yield Trust plc share, then held.

— Share price total return (dividends reinvested)  
— Net asset value total return (dividends reinvested)

(Index restated to 100 from 1 November 2004\*)  
Source: R&H Fund Services Limited

## Dividends declared in respect of each financial year



\* 2011/12 assumes that the third interim dividend in respect of the financial year ended 30 June 2012 remains in line with the first and second interim payments paid for that year at 0.88 pence per share and that the fourth interim dividend is in line with the fourth interim dividend paid in respect of the financial year ended 30 June 2011 of 1.32 pence per share.

Source: R&H Fund Services Limited and Datastream

# Chairman's Statement

## Investment and Share Price Performance

Your Company's net asset value total return during a difficult six month period to 31 December 2011 was -6.1 per cent; the share price total return for the same period was a little better than this at -5.2 per cent.

At 31 December 2011 the Company's shares were trading at a 6.7 per cent premium to net asset value and they have continued to trade at a premium since the period end.

## Dividends

The Company declared two dividends of 0.88 pence each per share during the period, an increase of 3.5 per cent on those paid during the same period last year. Based on an annualised rate of 3.96 pence and a share price of 61.6 pence at the time of writing, this represents a yield of 6.4 per cent.

## Fund Raising

The continuing premium rating that the market attaches to the shares of your Company enabled it, for the fourth year in a row, to complete in November 2011 a share issue under its block listing facility. £9.1 million was raised from new and existing shareholders. As well as a modest increase in net asset value, continuing shareholders can expect to benefit from a lower total expense ratio and greater liquidity in the Company's shares.

## Background and Outlook

An interesting six months. While the markets may have been sanguine in the face of the downgrading of US Government debt, the same could not be said of their reaction to the downgrading of Italian and Spanish debt as the Euro crisis spiralled out of control. Greece dominated European conversation in a way not seen for a couple of millennia and a string of politicians were forced out of office before some sense of order was restored, at least temporarily, by December's promise of a European "Fiscal Compact".

How the sovereign debt crisis will play out we do not know, but the virtually free money being offered by central banks across the developed world shows no sign of being withdrawn – indeed the Fed has stated that it will not tighten monetary policy for at least another two years. Inflation may be falling at the moment, but one wonders how long it will remain off stage.

It is against this backdrop that the portfolio has been structured and is being managed (selected convertibles are, for example, of continuing interest to the Manager). We are, I believe, well positioned to make further progress.

## James G West

Chairman

28 February 2012



## Investment Manager's Review

The Eurozone slow-motion car crash continued; we have had another six months of heel dragging by Eurozone governments allied to over-reaction in both the media and markets, the classic situation which has occurred over the major economic crises of the modern era. The problem this time is the longevity and size of the crisis and the number of countries whose co-operation is needed and on the other side the global media circus and impatient global markets, all of which impacts on confidence and fear.

We have always been strong believers that the cost of borrowing represents confidence in the ability of the borrower either to repay or refinance their debt burden on favourable terms. This confidence is missing and has been replaced with fear, as we have seen in the periphery of Europe during the latter half of calendar year 2011.

It was not only the Eurozone causing mayhem in the markets. At the beginning of August, after many months of speculation about the state of the US economy, Standard & Poors finally downgraded US Government debt. Coming as a surprise to many, was the subsequent rise in demand for US debt with it being viewed as a safe haven and witnessed by the fall in treasury yields. During this time corporate bond markets and equity markets suffered two weeks of high volatility at a time when markets are historically illiquid. There followed in September another "flight to safety event", the strengthening of the Swiss franc. It grew too strong in the eyes of the Swiss National Bank (SNB) which intervened on the 6th day of the month with the intention of substantially weakening 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, in early January 2012, the current EUR/CHF rate of 1.2171 (source: Bloomberg) is still high and the SNB would like to see it weaken further over time. It should be noted that firm words backed up by strong actions can bring about the required market reaction.

We then fast-forward to the beginning of December when the Euro crisis came to yet another head, costing another two prime ministers their jobs, Mr. Papandreu in Greece and Mr. Berlusconi in Italy, both being replaced by technocrats, Lucas Papademos, the former Vice President of the European Central Bank and Mario Monti, a former European Commissioner, saddled with Herculean tasks to restructure and change the economic culture of their respective countries.

The second weekend of December hosted the most important "do or die" summit to save the Euro and the Eurozone so far. It ended in 23 of the 27 countries in agreement to a closer fiscal union, tightening fiscal controls called by the EU officials a "Fiscal Compact". Three of the remaining four countries, all non Euro currency members, need to consult with their parliaments before agreeing and the United Kingdom deciding against. The politicians have until the beginning of March to finalise the "Fiscal Compact" leaving the ECB to maintain orderly markets aided by the EFSF once the fund has sorted the technical details out of how to be able to undertake both secondary and primary bond market purchases.

It may well be worth noting that the ITraxx cross over generic index was trading at a margin of 394bp over at the end of June and at the end of December at 754bp, close to double the margin. As a result of these ongoing fears quoted spreads on all securities widened, volumes were low resulting in even more volatile markets.

Major events in the six months for the Company included a tap issue of 16,863,332 new ordinary shares of no par value at 55.05p per share, a premium of approximately 2.75% to the then prevailing NAV on 15 November. Also during the period the Company paid an increased fourth interim dividend of 1.32 pence per share on 26 August 2011 to shareholders on the register on 29 July 2011, and a first interim dividend of 0.88 pence per share payable on 25 November 2011 to shareholders on the register on 28 October 2011. This too is an increase on the same period last year of 3.5%.

Regarding the portfolio, the unquoted element shrank further with the redemption of the MetalsEx convertible being redeemed at par at the beginning of September and the conversion and subsequent sale of the underlying equity in Kalahari Minerals at a price of 247p, against a conversion price of 196p.

In the "quoted" arena, Noreco, an issuer in which the Company had previously invested, sold its stake in the South Arne field for \$200m, realising a gain of more than \$50m on the sale, largely compensating for the \$60m loss taken on its Siri field earlier in the year. Having sold the 12.9% 2014 NOK bonds at 105½ in early April, we felt that this was a good opportunity to buy these bonds back at 94. This was funded by the sale of the Mopol FRN bonds back to the company, which had outperformed in the Norwegian high yield market. Also in this space was the "Giant Oil Discovery" by STATOIL linking the Aldous and Araldenes structures potentially doubling the size of the resource. Detnor had a 20% interest in the field and subsequently the bonds rose close to their 106½ call level, the Company taking a profit on some of its bonds at the 105 - 105½ level.

We continue to look for income to replace bonds which are either called by their companies or have out performed and no longer meet our requirements. We feel that we could see a greater global issuance of high yielding convertibles which could provide a hedge against future inflation.

### Ian Francis

New City Investment Managers

28 February 2012



# Condensed Income Statement

For the six months ended 31 December 2011

	Notes	Six months ended 31 December 2011 (unaudited)			Six months ended 31 December 2010 (unaudited)			Year ended 30 June 2011 (audited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Capital (losses)/gains on investments</b>										
(Losses)/gains on investments	3	-	(12,336)	(12,336)	-	6,009	6,009	-	9,612	9,612
Liquidation distribution	4	-	-	-	-	259	259	-	259	259
Exchange gains/(losses)		-	13	13	-	(63)	(63)	-	(303)	(303)
<b>Revenue</b>										
Income	5	5,914	-	5,914	4,567	-	4,567	10,030	-	10,030
<b>Total income</b>		<b>5,914</b>	<b>(12,323)</b>	<b>(6,409)</b>	<b>4,567</b>	<b>6,205</b>	<b>10,772</b>	<b>10,030</b>	<b>9,568</b>	<b>19,598</b>
<b>Expenses</b>										
Investment management fee	6	(375)	(125)	(500)	(314)	(105)	(419)	(702)	(234)	(936)
Other expenses		(243)	-	(243)	(174)	-	(174)	(415)	-	(415)
<b>Total expenses</b>		<b>(618)</b>	<b>(125)</b>	<b>(743)</b>	<b>(488)</b>	<b>(105)</b>	<b>(593)</b>	<b>(1,117)</b>	<b>(234)</b>	<b>(1,351)</b>
<b>Profit/(loss) before finance costs and taxation</b>		<b>5,296</b>	<b>(12,448)</b>	<b>(7,152)</b>	<b>4,079</b>	<b>6,100</b>	<b>10,179</b>	<b>8,913</b>	<b>9,334</b>	<b>18,247</b>
<b>Finance costs</b>										
Interest payable and similar charges		(86)	(28)	(114)	(65)	(22)	(87)	(140)	(46)	(186)
<b>Profit/(loss) before taxation</b>		<b>5,210</b>	<b>(12,476)</b>	<b>(7,266)</b>	<b>4,014</b>	<b>6,078</b>	<b>10,092</b>	<b>8,773</b>	<b>9,288</b>	<b>18,061</b>
Irrecoverable withholding tax		(36)	-	(36)	(34)	-	(34)	(69)	-	(69)
<b>Profit/(loss) after taxation</b>		<b>5,174</b>	<b>(12,476)</b>	<b>(7,302)</b>	<b>3,980</b>	<b>6,078</b>	<b>10,058</b>	<b>8,704</b>	<b>9,288</b>	<b>17,992</b>
<b>Earnings per ordinary share (pence)</b>	7	<b>2.49p</b>	<b>(6.01p)</b>	<b>(3.52p)</b>	<b>2.35p</b>	<b>3.58p</b>	<b>5.93p</b>	<b>4.67p</b>	<b>4.98p</b>	<b>9.65p</b>

The total column of this statement represents the Company's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement are derived from continuing operations.

No operations were acquired or discontinued during the period.



# Condensed Balance Sheet

As at 31 December 2011

	Notes	As at 31 December 2011 (unaudited) £'000	As at 31 December 2010 (unaudited) £'000	As at 30 June 2011 (audited) £'000
<b>Non-current assets</b>				
Investments held at fair value		119,947	116,979	130,773
<b>Current assets</b>				
Other receivables		3,448	2,719	3,982
Cash at bank		–	53	15
		3,448	2,772	3,997
<b>Total assets</b>		<b>123,395</b>	<b>119,751</b>	<b>134,770</b>
<b>Current liabilities</b>				
Bank loan facility		(5,314)	(3,471)	(12,927)
Other payables		(132)	(127)	(1,230)
<b>Total liabilities</b>		<b>(5,446)</b>	<b>(3,598)</b>	<b>(14,157)</b>
<b>Net assets</b>		<b>117,949</b>	<b>116,153</b>	<b>120,613</b>
<b>Share capital and reserves</b>				
Stated capital account		66,680	57,583	57,567
Special distributable reserve		50,385	50,385	50,385
Capital reserve		(7,007)	2,259	5,469
Revenue reserve		7,891	5,926	7,192
<b>Equity shareholders' funds</b>		<b>117,949</b>	<b>116,153</b>	<b>120,613</b>
<b>Net asset value per ordinary share (pence)</b>	8	<b>53.55p</b>	57.10p	59.30p

Approved by the Board of Directors on 28 February 2012 and signed on its behalf by:

**J G West**

Director



## Condensed Statement of Changes in Equity

For the six months ended 31 December 2011 (unaudited)

	Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £000
At 1 July 2011		57,567	50,385	5,469	7,192	120,613
(Loss)/profit for the period		-	-	(12,476)	5,174	(7,302)
Dividends paid	2	-	-	-	(4,475)	(4,475)
Issue of shares	9	9,113	-	-	-	9,113
At 31 December 2011		66,680	50,385	(7,007)	7,891	117,949

For the six months ended 31 December 2010 (unaudited)

	Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £000
At 1 July 2010		29,455	50,385	(3,819)	5,219	81,240
Profit for the period		-	-	6,078	3,980	10,058
Dividends paid	2	-	-	-	(3,273)	(3,273)
Issue of shares		28,128	-	-	-	28,128
At 31 December 2010		57,583	50,385	2,259	5,926	116,153

For the year ended 30 June 2011 (audited)

	Notes	Stated capital account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £000
At 1 July 2010		29,455	50,385	(3,819)	5,219	81,240
Profit for the year		-	-	9,288	8,704	17,992
Dividends paid	2	-	-	-	(6,731)	(6,731)
Issue of shares		28,112	-	-	-	28,112
At 30 June 2011		57,567	50,385	5,469	7,192	120,613



# Condensed Cash Flow Statement

For the six months ended 31 December 2011

	Six months ended 31 December 2011 (unaudited) £'000	Six months ended 31 December 2010 (unaudited) £'000	Year ended 30 June 2011 (audited) £'000
<b>Operating activities</b>			
(Loss)/profit before finance costs and taxation	(7,152)	10,179	18,247
Losses/(gains) on investments	12,336	(6,009)	(9,612)
Exchange (gains)/losses	(13)	63	303
Increase in other receivables	(127)	(223)	(739)
(Decrease)/increase in other payables	(10)	51	(3)
<b>Net cash inflow from operating activities before interest and taxation</b>	<b>5,034</b>	<b>4,061</b>	<b>8,196</b>
Interest paid	(144)	(98)	(172)
Irrecoverable withholding tax paid	(36)	(24)	(69)
<b>Net cash inflow from operating activities</b>	<b>4,854</b>	<b>3,939</b>	<b>7,955</b>
<b>Investing activities</b>			
Purchase of investments	(17,489)	(37,703)	(67,245)
Sales of investments	15,582	15,657	35,413
<b>Net cash outflow from investing activities</b>	<b>(1,907)</b>	<b>(22,046)</b>	<b>(31,832)</b>
<b>Financing activities</b>			
Equity dividends paid	(4,475)	(3,273)	(6,731)
(Repayment)/drawdown of bank loan facility	(7,613)	(6,695)	2,761
Issue of ordinary shares	9,113	28,138	28,112
<b>Net cash (outflow)/inflow from financing</b>	<b>(2,975)</b>	<b>18,170</b>	<b>24,142</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(28)</b>	<b>63</b>	<b>265</b>
Net debt at the start of the period	(12,912)	(10,113)	(10,113)
Repayment/(drawdown) of bank loan facility	7,613	6,695	(2,761)
Exchange gains/(losses)	13	(63)	(303)
<b>Net debt at the end of the period</b>	<b>(5,314)</b>	<b>(3,418)</b>	<b>(12,912)</b>

## Notes to the Accounts

1. The unaudited interim results which cover the six month period to 31 December 2011 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the International Accounting Standards Board ('IASB').

These financial statements have been prepared in accordance with IAS 34 – 'Interim Financial Reporting', and the accounting policies as set out in the statutory accounts of the Company for the year to 30 June 2011.

2. **Dividends**

Amounts recognised as distributions to equity holders in the period.

	Six months ended 31 December 2011		Six months ended 31 December 2010		Year ended 30 June 2011	
	£'000	Rate (pence)	£'000	Rate (pence)	£'000	Rate (pence)
<b>In respect of the previous period:</b>						
Fourth interim dividend	2,685	1.32	1,840	1.20	1,840	1.20
<b>In respect of the period under review:</b>						
First interim dividend	1,790	0.88	1,433	0.85	1,433	0.85
Second interim dividend	–	–	–	–	1,729	0.85
Third interim dividend	–	–	–	–	1,729	0.85
	<b>4,475</b>		<b>3,273</b>		<b>6,731</b>	

A second interim dividend in respect of the year ended 30 June 2012 of 0.88p per ordinary share was paid on 24 February 2012 to shareholders on the register on 27 January 2012. In accordance with IFRS this dividend has not been included as a liability in these accounts.

3. Included within losses on investments for the period ended 31 December 2011 are realised losses of £929,000 and unrealised losses of £11,407,000.

4. **Liquidation Distribution**

As a result of the European Court of Justice decision that investment management fees payable by investment trusts are not, and should never have been, liable to value added tax ('VAT'), the Company recovered during the six months ended 31 December 2010 VAT of £259,000 in respect of investment management fees paid by its predecessor New City High Yield Trust plc. The Company expects to recover another significantly smaller amount but as the exact amount is uncertain, it has not been recognised as an asset in the accounts.

5. **Income**

The breakdown of income for the period was as follows:

	Six months ended 31 December 2011	Six months ended 31 December 2010	Year ended 30 June 2011
	£'000	£'000	£'000
<b>Income from investments:</b>			
Dividend income	627	396	1,019
Interest on fixed interest securities	5,287	4,171	9,008
<b>Other income:</b>			
Deposit interest	–	–	3
<b>Total income</b>	<b>5,914</b>	<b>4,567</b>	<b>10,030</b>

## Notes to the Accounts (continued)

### 6. Investment management fee

The Company's investment manager is CQS Cayman Limited Partnership which has delegated this function to its wholly owned subsidiary New City Investment Managers. CQS receive a basic monthly fee at the rate of 0.8 per cent per annum of the Company's total assets (less current liabilities other than bank borrowings), payable in arrears. During the period investment management fees of £500,000 were incurred, of which £82,000 was payable at the period end.

### 7. Earnings per ordinary share

The revenue earnings per ordinary share is based on the profit after taxation of £5,174,000 (31 December 2010: £3,980,000 and 30 June 2011: £8,704,000) and on a weighted average of 207,620,082 (31 December 2010: 169,648,833 and 30 June 2011: 186,387,820) ordinary shares in issue throughout the period.

The capital profit per ordinary share is based on a net capital loss of £12,476,000; (31 December 2010: a net capital gain of £6,078,000 and 30 June 2011: a net capital gain of £9,288,000) and on a weighted average of 207,620,082 (31 December 2010: 169,648,833 and 30 June 2011: 186,387,820) ordinary shares in issue throughout the period.

### 8. Net asset value per ordinary share

The net asset value per ordinary share is based on net assets at the period end of £117,949,000 (31 December 2010: £116,153,000 and 30 June 2011: £120,613,000) and on 220,267,581 (31 December 2010: 203,404,249 and 30 June 2011: 203,404,249) ordinary shares, being the number of ordinary shares in issue at the period end.

### 9. Share issue

16,863,332 ordinary shares were issued at a price of 55.05p per share pursuant to the Company's block listing facility on 15 November 2011, raising £9.1 million.

### 10. Related parties

Mr G Ross is a director of the Company Secretary and Administrators, R&H Fund Services (Jersey) Limited and R&H Fund Services Limited, which both receive fees from the Company. During the period fees of £27,000 were incurred (excluding the Director's fee to Mr G Ross).

Canaccord Genuity Limited provides advisory and brokerage services to the Company.

Mr J West is Chairman of Canaccord Genuity Limited.

### 11. Financial information

The results for the six months ended 31 December 2011 and 31 December 2010 which have not been audited or reviewed by the Company's auditors pursuant to the Auditing Practices Board guidance on the "Review of Interim Financial Information", constitute non-statutory accounts in terms of Section 434 of the Companies Act 2006. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 30 June 2011; the report of the auditors thereon was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The abridged financial statements shown above for the year ended 30 June 2011 are an extract from those accounts.

## R&H Fund Services (Jersey) Limited

Secretary

28 February 2012

# Classification of Investments at 31 December 2011

## By Currency

	As at 31 December 2011 Total investments %	As at 31 December 2010 Total investments %	As at 30 June 2011 Total investments %
Sterling	59	56	57
Euro	6	12	10
US Dollar	15	10	12
Australian Dollar	12	12	13
Norwegian Krone	5	6	3
Canadian Dollar	3	4	5
<b>Total investments</b>	<b>100</b>	<b>100</b>	<b>100</b>

## By Asset Class

	As at 31 December 2011 Total investments %	As at 31 December 2010 Total investments %	As at 30 June 2011 Total investments %
Bonds	72	68	69
Convertibles	19	21	18
Preference shares	6	8	10
Equity shares	3	3	3
<b>Total investments</b>	<b>100</b>	<b>100</b>	<b>100</b>

## By Quotation

	As at 31 December 2011 Total investments %	As at 31 December 2010 Total investments %	As at 30 June 2011 Total investments %
Listed/quoted on a recognised exchange	97	93	96
Unquoted (convertible into a security quoted on a recognised exchange)	2	6	3
Unquoted	1	1	1
<b>Total investments</b>	<b>100</b>	<b>100</b>	<b>100</b>



# Investment Portfolio

As at 31 December 2011

Company	Sector	Valuation £'000	Net assets %
Antares Energy CV 10% 31/10/13	Oil & gas	5,049	4.3
Balfour Beatty 10.75% Cum Pref	Construction	4,836	4.1
REA Finance 9.5% 31/12/17	Food products	4,498	3.8
Skipton Building Society 10% 12/12/18	Financial	3,002	2.5
Phoenix Life FRN 7.25% 25/03/21	Insurance	2,664	2.3
Santos Finance 8.25% 22/09/70	Oil & gas	2,550	2.2
F&C Finance 9% 20/12/16	Financial	2,537	2.1
Cable & Wireless 8.625% 25/03/19	Telecommunications	2,502	2.1
Tullett Prebon Group 7.04% 06/07/14	Financial	2,491	2.1
Britannia Insurance 6.625% 09/12/30	Insurance	2,350	2.0
<b>Top ten investments</b>		<b>32,479</b>	<b>27.5</b>
Beazley Group FRN 7.25% 17/10/26	Real estate	2,268	1.9
Katanga Mining 14% 30/11/13	Mining	1,890	1.6
Western Areas 8% 02/07/12	Mining	1,776	1.5
Ocean Rig 9.5% 27/04/16	Oil & gas	1,704	1.4
Aberdeen Asset Management 7.9% 29/05/49	Financial	1,674	1.4
Consolidated Minerals 8.875% 01/05/16	Mining	1,671	1.4
Dannemora Mineral 11.75% 22/03/16	Mining	1,642	1.4
Enterprise Inns 6.875% 15/02/21	Leisure	1,600	1.4
National Westminster 11.5% 12/49	Financial	1,600	1.4
Phones4U Finance 9.5% 01/04/18	Leisure	1,585	1.4
<b>Top twenty investments</b>		<b>49,889</b>	<b>42.3</b>
F&C Asset Management 6.75% 20/12/26	Financial	1,511	1.3
SAS AB 7.5% 01/04/15	Financial	1,508	1.3
Ecclesiastical Insurance 8.625% Pref	Insurance	1,460	1.2
DDI Holding Abanin 9.3% 19/01/12	Financial	1,435	1.2
Raven Russia 12% Pref	Real estate	1,413	1.2
Southern Water 8.5% 15/04/19	Energy	1,359	1.1
Alliance Pharma 8% 31/12/13	Pharmaceuticals	1,300	1.1
Healthscope Note 11.25% 17/06/16	Healthcare	1,272	1.1
Enterprise Inns 6.875% 09/05/25	Leisure	1,251	1.1
Peel South East 10% 30/04/26	Real estate	1,186	1.0
<b>Top thirty investments</b>		<b>63,584</b>	<b>53.9</b>
Resolute Mining 12% CV 31/12/12	Mining	1,169	1.0
Skipton Building Society 6.75% 30/05/22	Financial	1,168	1.0
LBG Capital No.2 Lloyds 12.75% 10/08/20	Lloyds	1,165	1.0
Neo Material Technologies 5% 31/12/17	Technology	1,159	1.0
Old Mutual 8% 29/05/49	Financial	1,149	1.0
Grohe Holdings 8.625% 01/10/14	Manufacturing	1,114	0.9
Rothschild Cont Fin 9% 15/02/24	Financial	1,091	0.9
REA Holding 9% Cum Pref	Food products	1,084	0.9
Havila Shipping 12.5% FRN 19/07/13	Transport	1,077	0.9
RL Finance 6.125% 29/12/49	Financial	1,045	0.9
<b>Top forty investments</b>		<b>74,805</b>	<b>63.4</b>

## Investment Portfolio (continued)

As at 31 December 2011

Company	Sector	Valuation £'000	Net assets %
Bergen Group FRN 11.89% 09/07/13	Transport	1,001	0.9
Paragon Group FRN 7% 20/04/2017	Financial	996	0.9
Norwegian Energy 12.9% 20/11/14	Oil & gas	980	0.8
Deep Drilling 12% 21/12/15	Oil & gas	979	0.8
CGIS Burford Group 9.625% 31/12/19	Property	975	0.8
Old Mutual 8% 03/06/21	Financial	952	0.8
British Airways 8.75% 23/08/16	Transport	948	0.8
Chloe Marine Demtro 12% 28/12/16	Oil & gas	946	0.8
AXA 6.6862% 06/07/26	Financial	945	0.8
BAA 7.125% 03/01/17	Transport	945	0.8
<b>Top fifty investments</b>		<b>84,472</b>	<b>71.6</b>
Royal Bank of Scotland 6.5% 17/02/17	Financial	937	0.8
Providence 12% CV 29/07/12 *	Oil & gas	922	0.8
HBOS 6.461% 30/11/28	Financial	922	0.8
Co-operative Bank 9.025% 28/04/21	Financial	902	0.8
Clerical Medical Fin FRN 7.375% 05/11/19	Healthcare	896	0.8
Iron Mountain 7.25% 15/04/2014	Commercial services	894	0.8
Rivington Street 8% 30/06/2015 **	Financial	883	0.7
Cirsa Funding LX 8.75% 15/05/18	Leisure	871	0.7
Europcar Groupe 9.375% 15/04/18	Transport	868	0.7
DDI Holding 10% 15/03/2012	Financial	844	0.7
<b>Top sixty investments</b>		<b>93,411</b>	<b>79.2</b>
RSA Insurance Group VAR 8.5% 08/12/14	Insurance	832	0.7
Cable & Wireless 5.75% 24/11/14	Telecommunications	826	0.7
Santander Finance 10.375% Pref	Financial	820	0.7
Rubicon Offshore FRN 16/04/14	Oil & gas	796	0.7
AXA FRN 6.3883% 26/10/16	Financial	795	0.7
Newriver Retail	Retail	770	0.6
Lloyds TSB Bank 13% 19/12/21	Financial	755	0.6
APA Group	Oil & gas	735	0.6
Natwest 7.76304% 14/10/2011 Pref	Financial	702	0.6
Enterprise Inns 6.5% 06/12/18	Leisure	692	0.6
<b>Top seventy investments</b>		<b>101,134</b>	<b>85.7</b>
<b>Other investments</b>		<b>18,813</b>	<b>16.0</b>
<b>Total investments</b>		<b>119,947</b>	<b>101.7</b>
<b>Net current liabilities†</b>		<b>(1,998)</b>	<b>(1.7)</b>
<b>Net assets</b>		<b>117,949</b>	<b>100.0</b>

Notes:

\* Unquoted security which is convertible into a quoted security at the option of New City High Yield Fund Limited.

\*\* Unquoted security.

† Including bank facilities of £5.3 million.

CV – convertible bond  
FRN – floating rate note  
Pref – preference shares

Cum Pref – cumulative preference shares  
VAR – variable note



## Directors' Statement of Principal Risks and Uncertainties

The Company's assets consist principally of listed fixed interest securities and its principal risks are therefore market related. The Company is also exposed to currency risk in respect of the markets in which it invests. Other key risks faced by the Company relate to investment and strategic, regulatory, operational matters and financial controls. These risks, and the way in which they are managed, are described in more detail under the heading 'Principal risks and risk management' within the Directors' Report and Business Review contained within the Company's annual report and accounts for the period ended 30 June 2011. The Company's principal risks and uncertainties have not changed materially since the date of the report and are not expected to change materially for the rest of the Company's financial year.

## Directors' Responsibility Statement in Respect of the Interim Report

The Directors are responsible for preparing the Interim Report.

We confirm that to the best of our knowledge:

- the condensed set of financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' issued by the International Accounting Standards Board and give a true and fair view of the assets, liabilities, financial position and return of the company;
- the Chairman's Statement includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Statement of Principal Risks and Uncertainties shown above is a fair review of the information required by DTR 4.2.7R; and
- the condensed set of financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last Annual Report that could do so.

Signed on behalf of the Board

**J G West**

Chairman

28 February 2012



## Shareholder Information

### Retail Plan Savers

The shares of New City High Yield Fund Limited are listed on the Official List and traded on the London Stock Exchange and the Channel Islands Stock Exchange and private investors can buy and sell shares by placing an order either directly with a stockbroker or through an Independent Financial Adviser. Alternatively, investments can be made through the New City Investment Managers Individual Savings Account ('ISA') or Investment Plan. Details of these can be obtained from Halifax Share Dealing Limited ('HSDL') on 0845 850 0181.

**The Board believes investment costs for shareholders should be kept as low as possible. No charges are therefore made by the Company to shareholders using the retail plans.**

### The Investment Plan

The Investment Plan accepts lump sums or regular monthly payments for investment in the Company's shares. 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 elect to have dividends reinvested into your plan to buy further shares or paid into your nominated bank account.

### The ISA

The ISA is a way of investing money without having to pay income or Capital Gains Tax on any profits made or dividend income received. Up to £10,680 may be invested in an ISA for the 2011/12 tax year and £11,280 for the 2012/13 tax year. You may invest either a lump sum or regular monthly savings, subject to the following amounts. The ISA will accept lump sum investments with a minimum of £1,000 or regular investments with a minimum of £100 a month. You can invest additional lump sums of £500 or more and can increase your monthly savings at any time. You can elect to have dividends reinvested into your ISA to buy further shares or paid into your nominated bank account.

Investments may only be made in cash unless you are transferring qualifying investments held in 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.

### Transfer of other ISAs into the New City Investment Managers ISA

Transfers may be made into the ISA of ISAs currently managed by other managers. Details are available from HSDL.

### Disposal of Shareholdings

Holders of shares within the Investment Plan or ISA may sell their shares at any time without incurring any stockbroking costs. Details are available from HSDL.

### Net Asset Value/Share Price

The net asset value of the Company's ordinary shares may be obtained by contacting CQS on 0207 201 5369 or by email at [toni.wall@cqsm.com](mailto:toni.wall@cqsm.com) or alternatively by visiting the Company's web site at [www.ncim.co.uk](http://www.ncim.co.uk).



## Corporate Information

<b>Registered Number</b>	95691	
<b>Directors</b>	James G West <i>(Chairman)</i> Gavin D P Breeze <i>(Audit Committee Chairman)</i> Allister F Carey Adrian J R Collins Graeme D Ross	
<b>Registered Office</b>	<b>New City High Yield Fund Limited</b> Ordnance House, 31 Pier Road St. Helier, Jersey JE4 8PW Channel Islands	
<b>Investment Manager</b>	<b>New City Investment Managers</b> 5th Floor 33 Grosvenor Place, London SW1X 7HY Tel: 020 7201 6900	<b>CQS Cayman Limited Partnership</b> Ugland House South Church Street George Town, KY1-1104 Grand Cayman Cayman Islands
<b>Company Secretary and Administrator</b>	<b>R&amp;H Fund Services (Jersey) Limited</b> Ordnance House, 31 Pier Road St. Helier, Jersey JE4 8PW Channel Islands Tel: 01534 825200	
<b>UK Administrator</b>	<b>R&amp;H Fund Services Limited</b> Lochside House, 7 Lochside Avenue, Edinburgh, EH12 9DJ Tel: 0131 625 2951	
<b>Registrars</b>	<b>Computershare Investor Services (Jersey) Limited</b> Queensway House, Hilgrove Street St. Helier, Jersey JE1 1ES Channel Islands Tel: 01534 281800	
<b>Financial Adviser/Stockbroker</b>	<b>Canaccord Genuity Limited</b> 7th Floor Cardinal Place 80 Victoria Street London SW1E 5JL	
<b>Auditors</b>	<b>KPMG Audit Plc</b> 20 Castle Terrace, Edinburgh EH1 2EG	
<b>Bankers and Custodian Bankers</b>	<b>HSBC Bank PLC</b> 8 Canada Square, London E14 5HQ	
<b>Jersey Lawyers to the Company</b>	<b>Ogier</b> Ogier House, The Esplanade St. Helier Jersey, JE4 9WG Channel Islands	
<b>UK Solicitors to the Company</b>	<b>Maclay Murray &amp; Spens LLP</b> One London Wall, London EC2Y 5AB	
<b>Website</b>	www.ncim.co.uk	
<b>ISIN</b>	JE 00B1LZS514	

