

A copy of this document, which comprises a prospectus prepared in accordance with the Prospectus Rules relating to New City High Yield Fund Limited in connection with the Placing Programme and the applications for admission of all of the Ordinary Shares to be issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market, has been filed with the FCA in accordance with rule 3.2 of the Prospectus Rules.

This Prospectus has been prepared, and a copy of it has been sent to the JFSC, in accordance with the Collective Investment Funds (Certified Funds – Prospectuses) (Jersey) Order 2012. It must be distinctly understood that neither the JFSC nor the Registrar of Companies in Jersey takes any responsibility for the financial soundness of the Company or for the correctness of any statements made, or opinions expressed, with regard to the Company.

The Company is a closed-ended investment company with limited liability incorporated under Jersey Company Law. The Company constitutes and is regulated as a collective investment fund under Jersey Funds Law. The JFSC is protected by Jersey Funds Law against liability arising from the discharge of its functions under Jersey Funds Law.

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# NEW CITY HIGH YIELD FUND LIMITED

*(Incorporated in Jersey with limited liability under the Companies (Jersey) Law 1991 with registered number 95691)*

## PLACING PROGRAMME IN RESPECT OF UP TO 61,059,834 ORDINARY SHARES

*Investment Manager*  
New City Investment Managers

*Financial Adviser and Corporate Broker*  
Cantor Fitzgerald Europe

*Sponsor*  
BDO LLP

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**This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this Prospectus in certain jurisdictions may be restricted by law. No action has been taken by the Company or Cantor Fitzgerald that would permit an offer of Ordinary Shares or possession or distribution of this Prospectus or any other offering or publicity material in any jurisdiction, other than in the United Kingdom, where action for that purpose is required. Persons outside the United Kingdom into whose possession this Prospectus comes are required to inform themselves about and to observe any restrictions as to the offer or sale of Ordinary Shares and distribution of this Prospectus. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned.**

**Prospective investors are strongly recommended to read and consider this entire document and, in particular, pages 16 to 24 of this Prospectus, which set out the principal risk factors associated with an investment in the Company. Prospective investors are also recommended to seek their own independent financial advice from their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the UK Financial Services and Markets Act 2000 or, if outside the United Kingdom, another appropriately authorised financial adviser.**

Applications will be made to the UK Listing Authority for all of the Ordinary Shares to be issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on its Main Market. It is expected that Admissions will occur, and that dealings in the Ordinary Shares will commence, on a number of occasions during the period from Tuesday, 28 January 2014 to Tuesday, 27 January 2015 (or any earlier date on which the Placing Programme is fully subscribed).

28 January 2014

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Cantor Fitzgerald Europe, which is authorised and regulated in the United Kingdom by the FCA, is acting solely for the Company and for no one else in connection with the Placing Programme and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Cantor Fitzgerald Europe or for providing advice in relation to the Placing Programme or any other matter referred to in this Prospectus. Nothing in this paragraph shall serve to exclude or limit any responsibilities that Cantor Fitzgerald Europe may have under FSMA or the regulatory regime established under FSMA.

BDO LLP, which is authorised and regulated in the United Kingdom by the FCA, is acting solely for the Company as its sponsor and for no one else in connection with the Placing Programme and will not be responsible to anyone other than the Company for providing the protections afforded to clients of BDO LLP or for providing advice in relation to the content of this document or any transaction, arrangement or any other matter referred to in this Prospectus. Nothing in this paragraph shall serve to exclude or limit any responsibilities that BDO LLP may have under FSMA or the regulatory regime established under FSMA.

## SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A - E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for the types of securities (i.e. the Ordinary Shares) and issuer (i.e. the Company). As some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the types of securities (i.e. the Ordinary Shares) and issuer (i.e. the Company), it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "not applicable".

### Section A – Introduction and Warnings

A.1	<b>Warning</b>	This summary should be read as introduction to this Prospectus. Any decision to invest in Ordinary Shares should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of a Member State, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	<b>Subsequent resale or final placement of Ordinary Shares through financial intermediaries</b>	Not applicable, as New City High Yield Fund Limited has not given consent to the use of this Prospectus for subsequent resale or firm placement of new Ordinary Shares by financial intermediaries.

### Section B – The Issuer

B.1	<b>Legal &amp; commercial name</b>	New City High Yield Fund Limited.
B.2	<b>Domicile, legal form, legislation &amp; country of incorporation</b>	The Company was incorporated with limited liability in Jersey as a closed-ended investment company under the Companies (Jersey) Law 1991. The Company, which is domiciled in Jersey, operates under Jersey Company Law and orders made thereunder.
B.5	<b>Group structure</b>	Not applicable as the Company is not part of a group.
B.6	<b>Notifiable interests, different voting rights &amp; controlling interests</b>	Jersey Company Law does not require any person (other than Directors) who, directly or indirectly, has an interest in the Company's capital or voting rights to notify the Company of that interest and the provisions of Chapter 5 ("Vote Holder and Issuer Notification Rules") of the Disclosure and Transparency Rules do not currently apply to the Company. However, as at 24 January 2014, the Company was

		<p>aware that the persons referred to below, directly or indirectly, were interested in 3.0 per cent. or more of the issued Ordinary Shares or the voting rights of the Company.</p> <table border="1"> <thead> <tr> <th><i>Investor</i></th> <th><i>No. of Ordinary Shares</i></th> <th><i>% of Voting Rights</i></th> </tr> </thead> <tbody> <tr> <td>Brewin Dolphin</td> <td>43,457,972</td> <td>17.8</td> </tr> <tr> <td>James Sharp</td> <td>18,465,273</td> <td>7.6</td> </tr> <tr> <td>Rathbones</td> <td>15,066,100</td> <td>6.2</td> </tr> <tr> <td>Charles Stanley</td> <td>10,859,773</td> <td>4.5</td> </tr> <tr> <td>Redmayne Bentley</td> <td>9,364,203</td> <td>3.8</td> </tr> </tbody> </table> <p>The major Shareholders do not have different voting rights from other Shareholders. As at 24 January 2014, the Company was not aware of any person who, directly or indirectly, owned or controlled the Company.</p>	<i>Investor</i>	<i>No. of Ordinary Shares</i>	<i>% of Voting Rights</i>	Brewin Dolphin	43,457,972	17.8	James Sharp	18,465,273	7.6	Rathbones	15,066,100	6.2	Charles Stanley	10,859,773	4.5	Redmayne Bentley	9,364,203	3.8																																														
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B.7	<b>Historical financial information</b>	<p>The selected financial information set out below, which was prepared under IFRS, has been extracted without material adjustment from the audited report and accounts of the Company for the years ended 30 June 2011, 30 June 2012 and 30 June 2013.</p> <table border="1"> <thead> <tr> <th></th> <th colspan="3"><i>As at 30 June</i></th> </tr> <tr> <th></th> <th><i>2011</i></th> <th><i>2012</i></th> <th><i>2013</i></th> </tr> <tr> <th><i>Capital</i></th> <th><i>£'000</i></th> <th><i>£'000</i></th> <th><i>£'000</i></th> </tr> </thead> <tbody> <tr> <td>Investments at fair value</td> <td>130,773</td> <td>127,544</td> <td>157,714</td> </tr> <tr> <td>Current assets</td> <td>3,997</td> <td>4,794</td> <td>4,695</td> </tr> <tr> <td>Current liabilities</td> <td>(14,157)</td> <td>(8,189)</td> <td>(14,560)</td> </tr> <tr> <td>Net assets</td> <td>120,613</td> <td>124,149</td> <td>147,849</td> </tr> <tr> <td>NAV per Ordinary Share</td> <td>59.30p</td> <td>56.36p</td> <td>60.53p</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th></th> <th colspan="3"><i>Year Ended 30 June</i></th> </tr> <tr> <th></th> <th><i>2011</i></th> <th><i>2012</i></th> <th><i>2013</i></th> </tr> <tr> <th><i>Revenue</i></th> <th><i>£'000</i></th> <th><i>£'000</i></th> <th><i>£'000</i></th> </tr> </thead> <tbody> <tr> <td>Investment income</td> <td>10,030</td> <td>11,916</td> <td>14,176</td> </tr> <tr> <td>Total expenses charged to revenue</td> <td>(1,240)</td> <td>(1,240)</td> <td>(1,434)</td> </tr> <tr> <td>Profit for the year</td> <td>8,704</td> <td>10,456</td> <td>12,386</td> </tr> <tr> <td>Earnings per Ordinary Share</td> <td>4.67p</td> <td>4.89p</td> <td>5.42p</td> </tr> <tr> <td>Dividends per Ordinary Share</td> <td>3.87p</td> <td>4.01p</td> <td>4.10p</td> </tr> </tbody> </table> <p>Over the period from 1 January 2010 to 30 June 2013, the Company issued for cash:</p> <ul style="list-style-type: none"> <li>on 13 September 2010, 15,330,302 Ordinary Shares at 56.33p per share pursuant to a placing, resulting in aggregate gross proceeds of £8.6 million;</li> <li>on 23 November 2010, 34,770,919 Ordinary Shares at 57.7p per share pursuant to a placing and offer for subscription, resulting in aggregate gross proceeds of £20.1 million;</li> <li>on 15 November 2011, 16,863,332 Ordinary Shares at 55.05p per share pursuant to a placing, resulting in aggregate gross proceeds of £9.3 million;</li> <li>on 13 February 2013, 19,450,000 Ordinary Shares at 64.25p per share pursuant to a placing, resulting in aggregate gross proceeds of £12.5 million; and</li> </ul>		<i>As at 30 June</i>				<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>Capital</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	Investments at fair value	130,773	127,544	157,714	Current assets	3,997	4,794	4,695	Current liabilities	(14,157)	(8,189)	(14,560)	Net assets	120,613	124,149	147,849	NAV per Ordinary Share	59.30p	56.36p	60.53p		<i>Year Ended 30 June</i>				<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>Revenue</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	Investment income	10,030	11,916	14,176	Total expenses charged to revenue	(1,240)	(1,240)	(1,434)	Profit for the year	8,704	10,456	12,386	Earnings per Ordinary Share	4.67p	4.89p	5.42p	Dividends per Ordinary Share	3.87p	4.01p	4.10p
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B.8	<b>Pro forma financial information</b>	Not applicable as there is no pro forma financial information contained in this Prospectus.
B.9	<b>Profit forecasts</b>	Not applicable as this Prospectus does not contain profit forecasts or estimates.
B.10	<b>Qualifications in audit reports</b>	Not applicable as the audit reports on the historical financial information incorporated by reference into this Prospectus do not contain any qualifications.
B.11	<b>Working capital explanation</b>	Not applicable as the Company is of the opinion that the working capital available to it is sufficient for the Company's present requirements (that is, for at least the next 12 months from the date of this Prospectus).
B.34	<b>Investment objective &amp; policy</b>	<p><i>Investment Objective</i></p> <p>The Company's investment objective is to provide investors with a high dividend yield and the potential for capital growth by investing mainly in high yielding fixed interest securities.</p> <p><i>Investment Policy</i></p> <p>The Company invests predominantly in fixed income securities, including, but not limited to, preference shares, loan stocks, corporate bonds (convertible and/or redeemable) and government stocks. The Company also invests in equities and other income-yielding securities.</p> <p>Exposure to higher yielding securities may also be obtained by investing in other closed-ended investment companies and open-ended collective investment schemes.</p>

		<p>There are no defined limits on countries, size or sectors and, therefore, the Company may invest in companies regardless of country, size or sector. Accordingly, the Investment Portfolio is constructed without reference to the composition of any stockmarket index or benchmark.</p> <p>The Company may, but is not obliged to, invest in derivatives, financial instruments, money market instruments and currencies for the purpose of efficient portfolio management.</p> <p>There are no defined limits on listed securities and, accordingly, the Company may invest up to 100 per cent. of total assets in any particular type of listed security.</p> <p>The Company may acquire securities that are unlisted or unquoted at the time of investment but which are about to be, or are immediately convertible at the option of the Company into securities which are, listed or traded on a stock exchange, and may continue to hold securities that cease to be listed or traded if the Investment Manager considers this appropriate. The Board has established a maximum investment limit in this regard of 10 per cent (calculated at the time of any relevant investment) of the Company's total assets. In addition, the Company may invest up to 10 per cent (calculated at the time of any relevant investment) of its total assets in other securities that are neither listed nor traded at the time of investment.</p> <p>The Company will not invest more than 10 per cent (calculated at the time of any relevant investment) of its total assets in other collective investment undertakings (open-ended or closed-end).</p> <p>The Board has established a maximum investment limit whereby, at the time of investment, the Company may not invest more than 5 per cent of its total investments in the same investee company.</p> <p>The Investment Manager expects that the Company's assets will normally be fully invested. However, during periods in which changes in economic circumstances, market conditions or other factors so warrant, the Company may reduce its exposure to securities and increase its positions in cash, money market instruments and derivative instruments in order to seek protection from stockmarket falls or volatility.</p>
B.35	<b>Borrowing limits</b>	<p>The Board is responsible for determining the gearing strategy for the Company. The Board has restricted the maximum level of gearing to 25 per cent. of Shareholders' funds at the time of borrowing. This limit is reviewed from time to time by the Board.</p>
B.36	<b>Regulatory status</b>	<p>The Company is regulated as a collective investment fund under Jersey Funds Law and orders made thereunder by the Jersey Financial Services Commission, but is not regulated by the FCA or any other equivalent regulator in the European Economic Area. The Company is a certified fund for the purposes of Article 8 of Jersey Funds Law. In addition, the Company is subject to the Jersey Funds Codes, the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules.</p>
B.37	<b>Investor profile</b>	<p>Typical investors in the Company are expected to be institutional investors, private client investment managers and private client brokers, as well as professionally advised private investors, who are seeking exposure to a regular and relatively high dividend yield, and the potential for capital growth, from their investment.</p>

		An investment in the Ordinary Shares may also be suitable for investors who are financially sophisticated, non-advised private investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss that may result from such an investment (such investors may wish to consult an independent financial adviser who specialises in advising on the acquisition of shares and other securities before investing in the Ordinary Shares).
B.38	<b>Significant exposure</b>	Not applicable as the Company does not have more than 20 per cent. of its gross assets (i) invested, directly or indirectly, in a single underlying asset, (ii) invested in one or more collective investment undertakings which may in turn invest more than 20 per cent. of its gross assets in other collective investment undertakings or (iii) exposed to the creditworthiness or solvency of any one counterparty.
B.39	<b>Significant exposure to other collective investment undertakings</b>	Not applicable.
B.40	<b>Service providers</b>	<p><i>Investment Manager</i></p> <p>The Company has appointed CQS as its investment manager and CQS has delegated (with the Board's agreement) its day-to-day investment management functions to New City Investment Managers. Under the Investment Management Agreement, the Company pays CQS an investment management fee of 0.8 per cent. per annum of the Company's Adjusted Total Assets, payable monthly in arrears. The Investment Management Agreement may be terminated by either the Company or CQS giving to the other not less than 12 months' notice. CQS is responsible for the fee payable to NCIM.</p> <p><i>Company Secretary and Administrator</i></p> <p>The Company has appointed R&amp;H Fund Services (Jersey) Limited to provide administration (including accounting and valuation functions), compliance oversight and company secretarial services, and R&amp;H Fund Services (Jersey) Limited has delegated (with the Board's agreement) certain of its functions to R&amp;H Fund Services Limited. Under the Administration Agreement, the Jersey Administrator is currently entitled to a fixed fee of £26,000 per annum (index-linked), including the director's fee payable to Graeme Ross. The UK Administrator is currently entitled to a fixed fee of £57,000 per annum (index-linked) and a variable fee of 0.075 per cent. per annum of the Company's total assets less current liabilities (excluding bank borrowings) in excess of £50 million, subject to a maximum variable fee of £75,000 per annum. The Administration Agreement and the Delegation Agreement may be terminated by any party giving to the other or others not less than 12 months' notice.</p> <p><i>Custodian</i></p> <p>The Company has appointed HSBC Bank plc to provide custodian services to the Company. Under the Custody Agreement, the Custodian receives fees for the provision of such services at rates as agreed upon from time to time but, as at the date of this Prospectus, comprising a custody charge of 2.0 basis points per annum based on the value of the assets of the Company and transaction charges of up</p>

		<p>to £30.00 for each transaction settlement. The Custody Agreement may be terminated by either party giving to the other party not less than 30 days' written notice of termination. The Custodian may delegate its responsibilities under the Custody Agreement from time to time.</p> <p><i>Registrar</i></p> <p>The Company has appointed Computershare Investor Services (Jersey) Limited as its registrar. The Registrar is entitled to a fixed annual fee of £8,500 from the Company, payable quarterly in arrears. The Registrar Agreement may be terminated by either party giving to the other not less than six months' notice in writing.</p>
B.41	<b>Identity &amp; regulatory status of the Investment Manager &amp; the Custodian</b>	<p><i>Investment Manager</i></p> <p>CQS is regulated in the Cayman Islands by the Cayman Island Monetary Authority and New City Investment Managers is regulated by the FCA.</p> <p><i>Custodian</i></p> <p>The Custodian is regulated by the FCA.</p>
B.42	<b>Valuation &amp; publication of the Company's NAV</b>	<p>The unaudited NAV per Ordinary Share is calculated as at the close of business on each business day by the Administrators and announced through a Regulatory Information Service on the following business day.</p> <p>The NAV per Ordinary Share is calculated in accordance with IFRS and, where consistent with IFRS, the AIC's guidelines and otherwise in accordance with the accounting policies adopted by the Directors from time to time. For the purpose of the NAV calculations:</p> <ul style="list-style-type: none"> <li>• securities listed, traded or quoted on a stock exchange or over-the-counter market are valued by reference to the bid price on such stock exchange or market as at the close of business of the relevant exchange or market on the relevant valuation day (or, if the relevant exchange or market is not open for business on the relevant valuation day, the securities are valued as at the last day on which the relevant exchange or market was open for business) as shown in the relevant exchange's or market's recognised method of publication of prices for such securities (and where a security is listed, traded or quoted on more than one stock exchange or over-the-counter market, the Board may, in its absolute discretion, select any one of such exchanges or markets);</li> <li>• any securities that are not listed, traded or quoted on a stock exchange or over-the-counter market are valued at fair value as determined by the Board using appropriate valuation methodologies such as earnings multiples, recent transactions and net assets;</li> <li>• derivative instruments are valued at fair value using appropriate valuation methodologies as determined by the Board;</li> <li>• cash and bank deposits are valued by reference to their face value;</li> <li>• assets and liabilities in currencies other than pounds sterling (being the Company's functional currency) are translated into</li> </ul>

		<p>pounds sterling at the rates of exchange applying on the relevant valuation date; and</p> <ul style="list-style-type: none"> <li>notwithstanding the above, the Directors shall be entitled, at their absolute discretion, to apply a different method of valuing any asset if such method would, in their opinion, better reflect the fair value of such asset.</li> </ul> <p>The calculation of the NAV per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making any such calculation will be announced by the Company through a Regulatory Information Service as soon as practicable.</p>
B.43	<b>Cross liabilities</b>	Not applicable as the Company is not an umbrella collective investment undertaking.
B.44	<b>No financial statements have been made up</b>	Not applicable as the Company has commenced operations and published financial statements.
B.45	<b>Portfolio</b>	<p>At the close of business on 24 January 2014, the Investment Portfolio comprised 136 investments with an aggregate value of £161.9 million (and the Company had cash balances of £0.8 million).</p> <p>Based on the value of the Investment Portfolio at the close of business on 24 January 2014:</p> <ul style="list-style-type: none"> <li>75.8 per cent. of the Investment Portfolio was invested in bonds, 12.1 per cent. was invested in preference shares, 6.1 per cent. was invested in equities and 6.0 per cent. was invested in convertibles;</li> <li>98.2 per cent. of the Investment Portfolio was invested in securities listed or quoted on a recognised stock exchange,</li> <li>the Company's largest currency exposure was to pounds sterling, which represented 61.2 per cent. of the Investment Portfolio;</li> <li>the Company's largest country exposure was to the United Kingdom, which represented 65.8 per cent. of the Investment Portfolio;</li> <li>the Company's largest sector exposure was to financials, which represented 43.3 per cent. of the Investment Portfolio; and</li> <li>the Company's 10 largest investments represented 27.2 per cent. of the Investment Portfolio.</li> </ul>
B.46	<b>Latest NAV per Ordinary Share</b>	The unaudited NAV per Ordinary Share (cum-income) as at 24 January 2014 was 61.58p.

## Section C – The Securities

C.1	<b>Details of Placing Programme</b>	The Company intends to issue up to 61,059,834 ordinary shares of no par value (equivalent to 25 per cent. of the issued share capital of the Company as at the date of this Prospectus) pursuant to the Placing Programme. The Placing Programme is flexible and may have a number of closing dates in order to provide the Company with the ability to issue Ordinary Shares over a period of time.
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		<p>The Placing Programme has not been underwritten and, accordingly, the maximum number of new Ordinary Shares available under the Placing Programme should not be taken as an indication of the final number of new Ordinary Shares that will be issued. Therefore, the number of new Ordinary Shares actually issued pursuant to the Placing Programme may be less than the maximum number available under it.</p> <p>The dealing codes for the Ordinary Shares are as follows:</p> <ul style="list-style-type: none"> <li>• ISIN JE00B1LZS514</li> <li>• SEDOL B1LZS51</li> <li>• Ticker NCYF</li> </ul>
C.2	<b>Currency of Placing Programme</b>	The currency of the Placing Programme is pounds sterling and, accordingly, the Placing Price will be payable in pounds sterling.
C.3	<b>Issued share capital</b>	As at 24 January 2014, the Company had 244,239,339 ordinary shares of no par value in issue, all of which were fully paid up.
C.4	<b>Rights attaching to Ordinary Shares</b>	<p>The Ordinary Shares carry the right to receive all dividends declared by the Company or the Directors. On a winding-up, provided that the Company has satisfied all of its liabilities, the holders of Ordinary Shares are entitled to all of the surplus assets of the Company. Shareholders are entitled to attend and vote at all general meetings of the Company and, on a poll, to one vote for each Ordinary Share held.</p> <p>Jersey Company Law does not confer UK-style pre-emption rights on Shareholders. However, further issues of Ordinary Shares for cash are subject to the UK-style pre-emption rights conferred on existing Shareholders by the Articles, save to the extent of UK-style disapplications of those rights approved by a special resolution of the Company. At the date of this Prospectus, the Directors had an unutilised authority to issue for cash, on a non-pre-emptive basis, up to 61,059,834 new Ordinary Shares (equivalent to 25 per cent. of the Ordinary Shares in issue at the date of this Prospectus), which, to the extent not previously utilised, will expire at the annual general meeting of the Company to be held in 2014.</p> <p>New Ordinary Shares issued pursuant to the Placing Programme will rank <i>pari passu</i> in all respects with the Ordinary Shares already in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the issue of the relevant new Ordinary Shares).</p>
C.5	<b>Restrictions on transferability of Ordinary Shares</b>	<p>Under the Articles, the Directors may decline to register any transfer of any Ordinary Shares if it has come to their attention that the person to whom those shares are to be transferred is a US Person and, as a consequence of such transfer:</p> <ul style="list-style-type: none"> <li>• the Company may be required to register or qualify under the US Investment Company Act of 1940, as amended; or</li> <li>• the Company's assets are considered "plan assets" within the meaning of the plan asset regulations under the US Employee Retirement Income Security Act of 1974, as amended.</li> </ul> <p>The Articles permit the Company to serve a direction notice on any Shareholder requiring that Shareholder to disclose to the Company the identity of any person (other than that Shareholder) who has any interest in the Ordinary Shares held by that Shareholder and the nature of such interest. If the Ordinary Shares concerned represent 0.25 per cent. or more in number of the Ordinary Shares in issue and</p>

		<p>the Shareholder concerned is in default in supplying to the Company the information required by the Company within 14 days of the direction notice having been served, no transfer of the Ordinary Shares concerned (other than a transfer approved under the Articles) will be registered until the default is rectified.</p> <p>Save for the restrictions referred to above, a Shareholder may transfer all or any of their Ordinary Shares in any manner which is permitted by Jersey Company Law and the Articles.</p>
C.6	<b>Admission</b>	<p>Applications will be made to the UK Listing Authority for the new Ordinary Shares to be issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to the London Stock Exchange for such new Ordinary Shares to be admitted to trading on its Main Market.</p> <p>Unless the Ordinary Shares issued pursuant to the Placing Programme are issued under a block listing facility, such shares will be issued conditionally on Admission of those shares occurring. It is anticipated that dealings in new Ordinary Shares issued pursuant to the Placing Programme under a block listing facility will commence three Business Days after their issue and that, in all other cases, dealings in the new Ordinary Shares issued pursuant to the Placing Programme will commence not later than four Business Days after their conditional issue.</p>
C.7	<b>Dividend policy</b>	<p>The Company will only pay dividends on the Ordinary Shares to the extent that it has sufficient financial resources available for the purpose in accordance with Jersey Company Law. In the absence of unforeseen circumstances, the Company aims at least to maintain the level of dividends paid in respect of each financial year. This is a target dividend level and does not constitute a forecast of the profits or return from investment in the Company and there is no guarantee of any particular level of profits or return being achieved.</p> <p>In the absence of unforeseen circumstances, dividends on the Ordinary Shares are payable quarterly, all in the form of interim dividends (the Company does not intend to pay any final dividends), with the pattern normally consisting of three smaller interim dividends and a fourth larger interim dividend.</p>

#### Section D – The Risks

D.2	<b>Key risks specific to the Company &amp; its investments</b>	<p>The past performance of the Company cannot be relied upon as an indicator of future performance of the Company.</p> <p>The Company's ability to achieve its investment objective, including meeting its dividend objective, is largely dependent on market conditions, responses to market conditions and the Investment Manager's expertise and, therefore, there is no guarantee that the Company will achieve its investment objective or its dividend objective.</p> <p>The Company has no employees and the Directors are all non-executive. The Company therefore relies on the performance of third party service providers to perform its executive functions. In particular, CQS, the Investment Manager, the Jersey Administrator, the UK Administrator and the Custodian and their respective delegates, if any, perform services that are integral to the Company's</p>
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		<p>operations and financial condition, performance and prospects. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment, exercise due care and skill or perform its obligations to the Company at all as a result of insolvency, bankruptcy or other causes could have a material adverse effect on the Company's financial condition, performance and prospects and, accordingly, on returns to Shareholders.</p> <p>The future ability of the Company to pursue its investment policy successfully may depend on the ability of the CQS Group to retain its existing staff and/or to recruit individuals of similar experience and calibre. The retention of Ian Francis, the Company's lead fund manager, or other key employees by the CQS Group cannot be guaranteed. In the event of a departure of a key employee of the CQS Group, there is no guarantee that the CQS Group would be able to recruit a suitable replacement or that any delay in doing so would not materially adversely affect the performance of the Company.</p> <p>The Company invests principally in debt securities and other securities with comparable characteristics issued by various companies and other corporate entities. The issuers of such securities may be unable to meet their liabilities, including interest or dividend payments, when due or at all. In the event of any default on the Company's investment in an issuer, the Company will bear a risk of loss of principal and any outstanding interest or dividend payments owed to the Company, with the consequent risk of material capital loss and/or reduction in revenues received by the Company in relation to that investment.</p> <p>When interest rates decline, the value of the Company's fixed rate investments can be expected to rise and, when interest rates rise, the value of those investments may decline.</p> <p>The market prices of convertible securities are likely to be affected by fluctuations in the market prices of the underlying shares of the issuer of those securities. Any decline in the market price of the underlying shares may have an adverse effect on the market price of the related convertible securities in which the Company invests.</p>
D.3	<b>Key risks specific to the Ordinary Shares</b>	<p>The value of the Ordinary Shares, and the income derived from them, can fluctuate and may go down as well as up. Investors in the Ordinary Shares may not be able to realise the full amount of their original investment.</p> <p>As well as being affected by the NAV, the price at which the Ordinary Shares trade in the secondary market will depend on many factors, including, but not limited to, market or economic conditions generally, prevailing interest rates, the dividend yield on the Ordinary Shares, the interaction of supply and demand for the Ordinary Shares in the secondary market and general investor sentiment. Accordingly, the price at which the Ordinary Shares trade in the secondary market may vary considerably from the NAV per Ordinary Share (representing either a discount or a premium to that NAV) and may fall when the NAV is rising or vice versa.</p> <p>There can be no guarantee that a liquid market in the Ordinary Shares will exist or be maintained. Accordingly, Shareholders may</p>

		<p>be unable to realise their Ordinary Shares at their quoted share price.</p> <p>While the use of borrowings should enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is falling or rising at a lower rate than the cost of borrowing, reducing the total return on the Ordinary Shares. As a result, the use of borrowings by the Company may increase the volatility of the NAV and price of the Ordinary Shares.</p> <p>Where the Company does not hedge its currency exposure, the movement of exchange rates between pounds sterling (the Company's currency of account) and other currencies in which any of the Company's investments are denominated or it receives interest payments, dividends or other distributions may have a material effect, unfavourable or favourable, on the returns otherwise experienced on the Company's investments and may materially adversely affect its ability to pay dividends. Accordingly, this foreign exchange risk may increase the volatility of the NAV and price of the Ordinary Shares.</p>
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## Section E – The Placing Programme

E.1	<b>Net proceeds</b>	<p>The total net issue proceeds of the Placing Programme will depend on the number of new Ordinary Shares issued under it, the Placing Price of such new Ordinary Shares and the aggregate costs and expenses of the Placing Programme.</p> <p>The price at which the new Ordinary Shares under the Placing Programme will be issued will be calculated by reference to the estimated prevailing NAV of the existing Ordinary Shares (cum-income) together with a premium intended to cover the costs and expenses of the Placing Programme (including, without limitation, any placing commissions).</p> <p>Assuming that the Placing Programme is fully subscribed, 61,059,834 Ordinary Shares are issued, a Placing Price of 63.27p per new Ordinary Share and a commission of 1.0 per cent. of the gross proceeds of the Placing Programme is payable:</p> <ul style="list-style-type: none"> <li>• the gross proceeds of the Placing Programme would be approximately £38.6 million;</li> <li>• the fixed costs of the Placing Programme would be approximately £117,250 (these will be payable irrespective of whether any Ordinary Shares are issued pursuant to it);</li> <li>• commission of £386,347 would be payable; and</li> <li>• the net proceeds of the Placing Programme would be approximately £38.1 million.</li> </ul>
E.2a	<b>Reasons for the Placing Programme</b>	<p>The Placing Programme is intended to:</p> <ul style="list-style-type: none"> <li>• satisfy, at least in part, market demand for the Ordinary Shares and thereby manage the premium at which the Ordinary Shares trade in the market; and</li> <li>• raise further money for investment in accordance with the Company's investment objective and policy.</li> </ul>

		<p>The Directors believe that the principal benefits of the Placing Programme are as follows:</p> <ul style="list-style-type: none"> <li>• the Company's ability to issue new Ordinary Shares tactically to manage the premium at which the Ordinary Shares trade will be enhanced (this should benefit both existing Shareholders, as it should reduce the volatility of the price at which the Ordinary Shares trade, and new investors, as it should reduce the risk of the Ordinary Shares trading at a sizeable premium that may not be sustained and which may adversely affect the return on their investment should the level of the premium reduce);</li> <li>• the issue of new Ordinary Shares at a premium to NAV (net of Issue Costs) will result in a modest NAV uplift for the Ordinary Shares already in issue;</li> <li>• the issue of further Ordinary Shares will increase the size of the Company, thereby spreading its fixed operating costs over a larger capital base which should lead to a small reduction in the Company's ongoing charges per Ordinary Share; and</li> <li>• the issue of further Ordinary Shares should continue to improve liquidity in the market for the Ordinary Shares.</li> </ul> <p>The net proceeds of any issue of new Ordinary Shares pursuant to the Placing Programme, after providing for the Company's operational expenses, will be invested in investments consistent with the Company's investment objective and policy.</p>
E.3	<b>Terms &amp; conditions of the Placing Programme</b>	<p>Each issue of new Ordinary Shares pursuant to the Placing Programme will be conditional on:</p> <ul style="list-style-type: none"> <li>• Shareholder authority for the issue of such new Ordinary Shares on a non-pre-emptive basis being in place;</li> <li>• the Placing Price being not less than the higher of: <ul style="list-style-type: none"> <li>- the aggregate of (i) the estimated prevailing NAV per Ordinary Share (cum-income) at the time the proposed issue is agreed and (ii) the Issue Costs per new Ordinary Share; and</li> <li>- 90 per cent. of the middle market price of the Ordinary Shares at the time the proposed issue is agreed;</li> </ul> and not higher than the best offer price per Ordinary Share at the time the proposed issue is agreed;</li> <li>• Admission of such new Ordinary Shares.</li> </ul> <p>In circumstances in which any of the conditions referred to above are not fully met, the relevant issue of Ordinary Shares pursuant to the Placing Programme will not take place.</p>
E.4	<b>Material interests</b>	Not applicable as no persons involved in the Placing Programme have any interests that are material to the Placing Programme.
E.5	<b>Selling securities holders &amp; lock-up agreements</b>	Not applicable as no person or entity is offering to sell any Ordinary Shares and there are no lock-up agreements in place or proposed in connection with the Placing Programme.
E.6	<b>Dilution</b>	As no Ordinary Shares will be issued pursuant to the Placing Programme at a price which is less than the aggregate of the NAV per Share (cum-income) and a premium to cover the costs and

		<p>expenses of the Placing Programme (including, without limitation, any placing commissions) at the time of issue, there will be no dilution in the NAV per existing Ordinary Share as a result of the issue of Ordinary Shares under the Placing Programme.</p> <p>Assuming the Placing Programme is fully subscribed, 61,059,834 Ordinary Shares are issued pursuant to it and none of those shares are issued to existing Shareholders, there would be a dilution of 20 per cent. in existing Shareholders' voting control of the Company.</p>
E.7	<b>Estimated expenses charged to investors by the Company</b>	<p>No expenses will be charged to investors by the Company. However, the price at which the new Ordinary Shares will be issued will be calculated by reference to the estimated prevailing NAV of the existing Ordinary Shares (cum-income) together with a premium intended to cover the costs and expenses of the Placing Programme (including, without limitation, any placing commissions).</p>

## RISK FACTORS

An investment in Ordinary Shares involves a degree of risk. Prospective investors should consider carefully the risks described below, together with all the other information set out in this Prospectus and their own personal circumstances, before deciding whether to invest in the Ordinary Shares.

The risks described below are those risks that the Directors consider at the date of this Prospectus to be material to a decision as to whether to make an investment in the Ordinary Shares, but are not the only risks relating to the Company or the Ordinary Shares. If any of the adverse events described below actually occur, the Company's financial condition, performance and prospects and the NAV and/or share price of the Ordinary Shares could be materially adversely affected and Shareholders may lose all or part of their investment. Additional risks which were not known to the Directors at the date of this Prospectus, or that the Directors considered at the date of this Prospectus to be immaterial when deciding whether to make an investment in the Ordinary Shares, may also have an effect on the Company's financial condition, performance and prospects and the NAV and/or share price of the Ordinary Shares.

If prospective investors are in any doubt as to the consequences of their acquiring, holding or disposing of Ordinary Shares or whether an investment in the Company is suitable for them, they should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, in the case of prospective investors outside the United Kingdom, another appropriately authorised independent financial adviser.

### Risks Relating to the Company

#### ***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. The Company's financial condition, performance and prospects and, therefore, its ability to meet its investment objective depend on a variety of factors (many of which are outside its control), including, but not limited to:

- the availability of suitable investments;
- the performance of the underlying issuers of its investments, the price and liquidity of its investments and the level of income received from them;
- changes in interest rates and rates of inflation;
- foreign currency fluctuations; and
- the performance of the Investment Manager in acquiring, managing and disposing of investments for the Company in accordance with the Company's investment objective and policy.

Accordingly, there is no guarantee that the Company will achieve its investment objective.

#### ***Dividend Objective***

The Company aims at least to maintain the level of dividends, in terms of pence per Ordinary Share, paid in respect of each financial year. This objective is a target only and the Company's ability to pay dividends in respect of the Ordinary Shares and any future dividend growth depends on a variety of factors, including, but not limited to, the factors referred to under "Investment Objective" above. Furthermore, the Company will only pay dividends on the Ordinary Shares to the extent that it has sufficient financial resources available for the purpose in accordance with Jersey Company Law. Accordingly, there is no guarantee that the Company's dividend objective will continue to be met and the amount of the dividends paid to Shareholders may fluctuate and may go down as well as up.

### ***Past Performance***

The past performance of the Company cannot be relied upon as an indicator of future performance of the Company.

### Risks Relating to the Ordinary Shares

#### ***Investment Returns***

Both the NAV and the price of the Ordinary Shares may fluctuate and may go down as well as up, sometimes rapidly and unpredictably. Accordingly, at any point in time, a holding of Ordinary Shares may be worth less than the original investment, even after taking into account dividends paid by the Company in respect of those Ordinary Shares. As a result, Shareholders may not be able to realise the full value of their original investment in the Ordinary Shares.

The income derived from the Ordinary Shares may also fluctuate and go down as well as up.

#### ***Rating***

The NAV per Ordinary Share will be affected by the performance of the Company's investments. As well as being affected by the NAV per Ordinary Share, the price at which the Ordinary Shares trade in the secondary market will depend on many factors, including, but not limited to:

- market or economic conditions generally;
- prevailing interest rates;
- the dividend yield on the Ordinary Shares;
- the interaction of supply and demand for the Ordinary Shares in the secondary market; and
- general investor sentiment.

Accordingly, the price at which the Ordinary Shares trade in the secondary market may vary considerably from the NAV per Ordinary Share (representing either a discount or a premium to that NAV) and may fall when the NAV is rising or vice versa.

#### ***Secondary Market Liquidity***

The Company is a closed-ended investment company. Accordingly, Shareholders will have no right to have their Ordinary Shares redeemed or repurchased by the Company at any time. While the Directors retain the right to effect buy-backs of Ordinary Shares, they are under no obligation to use such powers at any time and Shareholders should not place any reliance on the willingness of the Directors to do so. Therefore, Shareholders wishing to realise their investment in the Company will normally be required to dispose of their Ordinary Shares through the secondary market.

Market liquidity in the shares of London-listed closed-ended investment companies is frequently inferior to the market liquidity in shares issued by larger companies traded on the Main Market. Therefore, notwithstanding that the Ordinary Shares are admitted to trading on the Main Market, there can be no guarantee that an active secondary market in the Ordinary Shares will be sustained. Limited secondary market liquidity in the Ordinary Shares may affect:

- the price at which the Ordinary Shares trade in the secondary market; and/or
- a Shareholder's ability to realise some or all of their investment and the price at which such a realisation can be affected.

Accordingly, Shareholders' ability to realise their investment at or above the NAV per Ordinary Share or at the quoted share price may depend on the existence of a liquid market in the Ordinary Shares.

#### ***Published Share Price***

The published price of an Ordinary Share is typically its mid-market price. Due to the potential difference between the mid-market price of an Ordinary Share and the price at which it can be sold in the secondary market, there is no guarantee that the realisable value of an Ordinary Share will reflect its published share price.

## Risks Relating to the Investment Portfolio

### **General Market Risks**

Economic recessions, downturns, and uncertainties can lead to volatility and instability in financial markets. In addition, the performance of the underlying issuers of the Company's investments, the price and liquidity of its investments and the level of income it receives from its investments may be affected, substantially and either adversely or favourably, by a variety of other factors (many of which are outside the control of the Company or the Investment Manager), including, but not limited to:

- changes in economic conditions (including, for example, unemployment, inflation, volatile exchange rates, changes in interest rates and low business or consumer confidence);
- changes in industry conditions or the competitive environment;
- restricted availability of financing;
- changes in law, taxation, regulation or government policy;
- foreign currency fluctuations;
- exchange controls or withholding taxes;
- stockmarket movements and investor perceptions;
- natural disasters, political and diplomatic events, terrorism, social unrest, civil disturbances or the outbreak of war; and
- insofar as they are affected by any of the above, the response of the issuers to the above.

### **Debt Securities and Other Comparable Securities**

The Company invests principally in debt securities and other securities with comparable characteristics issued by various companies and other corporate entities. The issuers of such securities may be unable to meet their liabilities, including interest or dividend payments, when due or at all. Issuers could deteriorate as a result of, among other factors, an adverse development in their business or other factors, including those referred to under the sub-heading "General Market Risks" above.

Issuers may be highly geared and there may be no restriction on the amount of debt an issuer can incur. Substantial indebtedness may increase risk with respect to an issuer and geared companies are often more sensitive to declines in revenues, increases in expenses, adverse business, political or financial developments or economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such companies or their industries. A geared company's income and net assets will tend to increase or decrease at a greater rate than if gearing were not used.

If an issuer is unable to generate sufficient cash flow to meet its liabilities, including interest or dividend payments, it may be forced to take other actions to satisfy its obligations. Such alternative measures may include reducing or delaying capital expenditure, selling assets, seeking additional capital or restructuring or refinancing indebtedness (which may include debt securities and other securities with comparable characteristics held by the Company). Any of those actions could significantly reduce the value of the Company's investment in such issuer. If such strategies are not successful and do not permit the issuer to meet its liabilities, the issuer may also be forced into liquidation, dissolution or insolvency, and the value of the Company's investment in such issuer could be eliminated.

In the event of any default on the Company's investment in an issuer, the Company will bear a risk of loss of principal and any outstanding interest or dividend payments owed to the Company, with the consequent risk of material capital loss and/or reduction in revenues received by the Company in relation to that investment. In view of this potential risk, the Board has established a maximum investment limit whereby, at the time of investment, the Company may not invest more than 5 per cent of its total investments in the same investee company.

### ***Fixed Rate Securities***

Fixed rate debt securities and other securities that pay dividends at a fixed rate will be affected by general changes in interest rates that, in turn, will result in increases and decreases in the market value of those securities. When interest rates decline, the value of the Company's fixed rate investments can be expected to rise and, when interest rates rise, the value of those investments may decline. The effect on market prices of fixed rate investments of declining or rising interest rates will be greater for long-term securities than for short-term securities.

### ***Non-investment Grade Securities and Unrated Securities***

The Company may invest in debt securities and other securities with comparable characteristics that are rated in non-investment grade categories or are unrated. A non-investment grade rating reflects, in the opinion of the ratings agencies, the riskier credit profile of an issuer compared to an investment grade issuer. Securities rated in these lower rating categories are generally considered to be speculative with respect to their issuers' capacity to make coupon or interest payments and to repay the principal amount of such securities, and are therefore subject to greater risks of loss of principal amount and non-payment of coupon or interest payments than securities rated in higher rating categories. They are also more susceptible to the effects of a deterioration of general economic conditions than securities in higher rating categories.

Adverse publicity and negative investor perception about lower rated or unrated securities, whether or not based on an analysis of the fundamentals with respect to the relevant issuers, may contribute to a decrease in the value and liquidity of such securities.

In addition, because investors generally perceive lower rated or unrated securities as being associated with greater risk, the yields and prices of such securities may fluctuate more than those of higher rated securities.

The market for lower rated or unrated securities may be less liquid than that for higher rated securities, which can adversely affect the prices at which these lower rated securities can be sold.

### ***Convertible Securities***

The market prices of convertible securities in which the Company may invest are likely to be affected by fluctuations in the market prices of the underlying shares of the issuer of those securities and it is not possible to predict whether the price of the underlying shares will rise or fall. The market prices of such underlying shares will be influenced by, among other things, the financial position of the issuer and other factors, including those referred to under the sub-heading "General Market Risks" above. Any decline in the market price of the underlying shares may have an adverse effect on the market price of the related convertible securities in which the Company invests.

Future issues of shares in, or disposals of shares by substantial shareholders of, the investee company may also significantly affect the trading prices of the convertible securities or the underlying shares. Even the expectation that such issues or disposals may occur may significantly affect the trading prices of the convertible securities and the issuer's shares.

### ***Cash and Cash-equivalent Investments***

A proportion of the Company's assets may be held in cash or cash-equivalent investments from time to time (as at 24 January 2014, the Company had cash and cash-equivalent investments of £0.8 million, equivalent to 0.5 per cent. of its total assets at that date). When assets are held in cash or cash-equivalent investments, they will be out of the market and will not benefit from positive stockmarket movements (but may give some protection against negative stockmarket movements).

### ***Illiquid Securities***

The Company may invest in securities that are not readily tradable or may accumulate investment positions that represent a significant multiple of the normal trading volumes of an investment, which may make it difficult for the Company to sell its investments and may lead to

volatility in the share price of the Ordinary Shares. Investors should not expect that the Company will necessarily be able to realise, within a period which they would otherwise regard as reasonable or at all, its investments and any such realisations that may be achieved may be at a considerably lower price than prevailing indicative share prices.

### ***Derivatives***

Whilst the Company does not currently engage in currency and/or interest rate hedging, it may invest through derivatives for efficient portfolio management (such as currency and/or interest swap agreements, futures contracts, options and forward currency and/or interest exchanges and other derivative contracts) where the Investment Manager considers it to be in the interests of the Company. Derivatives may not always achieve the intended effect under all or any market conditions. Accordingly, there is no assurance that this can be performed effectively.

Expenses and losses of entering into derivatives for efficient portfolio management will affect the overall returns on the Ordinary Shares. Currency and/or interest rate hedging may give rise to cash payments to counterparties of hedging contracts. To the extent that such payments are significant, the Investment Manager may need to realise part of the Company's portfolio in order to fund such payments. Furthermore, were the Company to engage in currency and/or interest rate hedging, it would be exposed to a credit risk with regard to the relevant counterparty, and the Company could encounter problems associated with enforcing its rights under a currency and/or interest rate hedging arrangement in the case of the insolvency of such counterparty.

### ***Realisable Value of Investments***

There can be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the Company's valuation of that investment for the purposes of calculating the NAV of the Ordinary Shares and the sale of any investment at a price below the Company's valuation of that investment will result in a diminution of the NAV.

## Risks Associated with the Use of Borrowings

### ***Impact on NAV***

The Company may use borrowings to seek to enhance investment returns for Shareholders. While the use of borrowings should enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is falling at a faster rate, or rising at a lower rate, than the cost of borrowing, reducing the total return on the Ordinary Shares. As a result, the use of borrowings by the Company may increase the volatility of the NAV and price of the Ordinary Shares.

### ***Interest Rate Risk***

The Company will pay interest on its borrowings. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates. The Company may employ hedging techniques designed to reduce the risk of adverse movements in interest rates may employ hedging techniques designed to reduce the risk of adverse movements in interest rates. However, such strategies may also result in losses and overall poorer performance than if the Company had not entered into such hedging transactions. In the absence of successfully hedging the interest rate risk, any significant increase in interest rates could result in a substantial reduction in the Company's revenue profits available to fund dividend payments on the Ordinary Shares.

### ***Availability of Facility***

The Company's overdraft facility is provided by the Custodian pursuant to the terms of an overdraft facility letter (further details of which are set out at paragraph 8.1 of Part 6 of this Prospectus). That facility is an uncommitted overnight facility and can be withdrawn at any time. If the Company is required to repay borrowings under its overdraft or any other bank facility, there is no guarantee that such facility will be refinanced, either on terms that are acceptable to the Company or at all, and the Company may be required to realise investments sooner than

expected and this could impair the Investment Manager's ability to generate investment returns for Shareholders.

## Risks Resulting from the Use of Third Party Service Providers

### ***Reliance of Third Party Service Providers***

The Company has no employees and the Directors are all non-executive. The Company therefore relies on the performance of third party service providers to perform its executive functions. In particular, CQS, the Investment Manager, the Jersey Administrator, the UK Administrator and the Custodian and their respective delegates, if any, perform services that are integral to the Company's operations and financial condition, performance and prospects. Failure by any service provider to:

- carry out its obligations to the Company in accordance with the terms of its appointment;
- exercise due care and skill; or
- perform its obligations to the Company at all as a result of insolvency, bankruptcy or other causes;

could have a material adverse effect on the Company's financial condition, performance and prospects and, accordingly, on returns to Shareholders.

### ***Misconduct or Misrepresentations***

Misconduct or misrepresentations by employees of third party service providers could cause significant losses to the Company. Employee misconduct may include, but are not limited to:

- binding the Company to transactions that exceed authorised limits or present unacceptable risks;
- unauthorised trading activities;
- concealing unsuccessful trading activities (which, in any case, may result in unknown and unmanaged risks or losses);
- failing to recognise trades;
- misappropriating assets; or
- making misrepresentations regarding any of the above.

### ***Operational Risks***

The Company's third party service providers are themselves subject to operational risks, which can arise from inadequate or failed processes, systems or resources or from external factors affecting these. The information technology and other systems of such service providers, or their business processes and procedures on which the Company may depend, may not perform as expected, including recovery from unanticipated disruptions to their business. Any such inadequacies or failures could have a material adverse effect on the Company's financial condition, performance and prospects and, accordingly, on returns to Shareholders.

### ***Termination of Relationship***

The termination of the Company's relationship with any third party service provider, or any delay in appointing a replacement for such service provider, could disrupt the Company's business materially and could have a material adverse effect on the Company's financial condition, performance and prospects and, accordingly, on returns to Shareholders.

## Additional Risks Associated with the Investment Manager

### ***Dependence on Investment Manager***

In accordance with the Investment Management Agreement, the Investment Manager is responsible for the management of the Company's investments. The Investment Manager has significant discretion as to the implementation of the Company's investment policy and, in particular, the Company's investment decisions are made by the Investment Manager and not by the Company. Accordingly, the Company is heavily reliant on, and its success depends to a significant extent on, the Investment Manager and its personnel, services and resources. The

Investment Manager is not required to and does not generally submit individual investment decisions for approval to the Board. Consequently, the Company is dependent on the experience and expertise of the individuals employed by the Investment Manager.

### ***Investment Decisions***

In making investment decisions for the Company, the Investment Manager undertakes such due diligence, applies such investment techniques and risk analyses and undertakes such monitoring as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. There can be no guarantee that such due diligence, techniques, analyses and monitoring with respect to any investment will reveal or highlight all relevant facts that may be necessary or helpful in evaluating that investment. Any failure by the Investment Manager to identify relevant facts through such due diligence, techniques, analyses and monitoring may lead to inappropriate investment decisions being made on the Company's behalf, which could have a material adverse effect on the Company's financial condition, performance and prospects and the NAV and price of the Ordinary Shares.

### ***Key Fund Managers***

The future ability of the Company to pursue its investment policy successfully may depend on the ability of the CQS Group to retain its existing staff and/or to recruit individuals of similar experience and calibre. The retention of Ian Francis, the Company's lead fund manager, or other key employees by the CQS Group cannot be guaranteed. In the event of a departure of a key employee of the CQS Group, there is no guarantee that the CQS Group would be able to recruit a suitable replacement or that any delay in doing so would not materially adversely affect the performance of the Company.

### ***Potential Conflicts of Interest***

The CQS Group may be involved in other investment activities that may on occasion give rise to conflicts of interest with the Company. In particular, it currently does, and may continue to, provide investment management, investment advice or other services in relation to a number of other companies, funds or accounts that may have similar investment objectives and/or policies, to that of the Company and may receive *ad valorem* and/or performance-related fees for doing so. As a result, CQS Group may have conflicts of interest in allocating investments among the Company and other clients and in effecting transactions between the Company and other clients. The CQS Group may give advice or take action with respect to such other clients that differs from the advice given or actions taken with respect to the Company.

## Risks Resulting from Foreign Exchange Exposure

### ***Exchange Rate Movements***

The Company accounts for its activities, reports its results and the NAV per Ordinary Share and declares and pays dividends in pounds sterling while a significant proportion of its investments are made and realised in other currencies. Where the Company does not hedge its currency exposure, the movement of exchange rates between pounds sterling and other currencies in which any of the Company's investments are denominated or it receives interest payments, dividends or other distributions may have a material effect, unfavourable or favourable, on the returns otherwise experienced on the Company's investments and may materially adversely affect its ability to pay dividends. Accordingly, this foreign exchange risk may increase the volatility of the NAV and price of the Ordinary Shares.

### ***Currency Hedging***

Although the Investment Manager may seek to manage all or part of the Company's foreign exchange exposure, there is no assurance that this can be performed effectively. Where the Company does hedge all or part of its currency exposure, there is no guarantee that such arrangements will be successful in reducing exchange risks and such arrangements may result in the Company incurring additional costs.

### ***Shareholders with Non-sterling Currency of Account***

Movements in the foreign exchange rate between pounds sterling and the currency applicable to a particular Shareholder may have an impact upon that Shareholder's returns in their own currency of account.

## Risks Associated with Taxation and Exchange Controls

### ***Changes in Taxation***

Statements in this Prospectus concerning taxation are based on current taxation law and what is understood to be current practice, both of which are subject to change, possibly with retrospective effect. Any change in the Company's tax status, in tax treaty rates, in taxation legislation, the interpretation of taxation legislation or the tax treatment of dividends, interest or other investment income received by the Company could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.

### ***Non-UK Tax Resident Status***

To maintain its non-UK tax resident status, the Company is required to be managed and controlled outside the United Kingdom. The composition of the Company's board of directors, the place of residence of the individual members of the Board and the location in which the Board makes and executes its decisions are important in determining and maintaining the non-UK tax residence status of the Company. In the event that the Board is regarded by the UK's HM Revenue & Customs as having made strategic decisions, or executed important documents, in the United Kingdom, the Company may lose its non-UK tax resident status, which could negatively affect the Company's financial condition, performance and prospects, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.

### ***Foreign Account Tax Compliance Act***

The implications for the Company of the provisions of the US Government's Foreign Account Tax Compliance Act ("**FATCA**") are subject to finalisation. Under FATCA, a withholding tax may be imposed on payments made to certain non-US financial institutions in connection with their US-source investments, whether held directly or via another financial institution or financial intermediary. The withholding tax may be avoided if the financial institution in question complies with information-gathering and disclosure requirements imposed under the FATCA legislation in relation to its US account holders. Although an inter-governmental agreement been entered into between the US and Jersey, the identity of those financial institutions established in Jersey to which FATCA will apply and the obligations which those institutions will be required to discharge in order to comply with FATCA are subject to finalising implementing rules. Accordingly, it is not yet known whether the Company will be a financial institution to which FATCA will apply or the nature or extent of any information gathering or disclosure obligations it may be required to discharge. If the Company is required to comply with FATCA, the Company may be required to provide information to either the US or Jersey tax authorities about Shareholders and their holdings with the Company in order fully to discharge its reporting obligations and, in the event of any failure or inability to comply with FATCA, it may suffer a financial penalty and/or a withholding tax at an effective rate of up to 30 per cent. on payments made in connection with any US-source investments held directly or indirectly by it.

### ***Intergovernmental Agreement between Jersey and the UK***

On 22 October 2013, Jersey and the United Kingdom entered into an inter-governmental agreement for the implementation of information exchange arrangements, based on FATCA, whereby relevant financial information held in Jersey in respect of a person or entity who is resident in the UK for tax purposes will be reported to HM Revenue and Customs. Once that agreement enters into force, the Company may be required to provide information to the Jersey tax authorities about Shareholders and their holdings with the Company in order fully to

discharge its reporting obligations and, in the event of any failure or inability to comply with the proposed arrangements, may suffer a financial penalty or other sanction under Jersey law.

### ***Exchange Controls***

The Company may purchase investments that may be subject to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the capital value of the affected investments and the income received by the Company on affected investments. Any reduction in the income received by the Company may lead to a reduction in the dividends paid by the Company.

## Risks Associated with Accounting Practices and Policies

### ***Change in Financial Reporting Standards or Accounting Practices***

Any change in financial reporting standards or accounting practices applicable to the Company could affect the reported value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.

### ***Expense Accounting***

A proportion of the expenses of managing the Company, including the investment management fee and any financing costs, are charged to the Company's capital account. In the absence of capital growth in the Company's assets in excess of the aggregate value of such expenses charged to the capital account, this practice will result in a diminution in the Company's capital account and a corresponding reduction in the NAV per Ordinary Share. However, this practice will also, all other things being equal, result in the short term in an increased amount of net revenue being available for distribution to Shareholders.

## Risks Associated with the AIFM Directive

The AIFM Directive, which was required to be transposed by EU member states into national law by 22 July 2013, seeks to regulate alternative investment fund managers and imposes obligations on EEA managers who manage alternative investment funds or managers who market shares in such funds to EEA investors. It is proposed that the Investment Manager be appointed as the AIFM of the Company. Under the AIFM Directive, a transitional period applies in respect of AIFMs managing AIFs prior to 22 July 2013 which allows such AIFMs a period of one year from that date to obtain authorisation as an AIFM. The Investment Manager is able to take advantage of that transitional period and intends to apply for authorisation as an AIFM within that transitional period. Whilst the Investment Manager expects to obtain such authorisation before the end of the transition period, if it fails to do so it may be unable to continue to manage the Company or its ability to manage the Company may be impaired.

Following national transposition of the AIFM Directive in a given EEA member state and after the end of any transitional period, the marketing of shares in the Company to investors in that EEA member state will be prohibited unless certain conditions are met. Certain of these conditions are outside the Company's control as they are dependent on the regulators of the relevant third country (in this case Jersey) and the relevant EEA member state entering into regulatory co-operation agreements with one another. As at the date of this Prospectus, Jersey has entered into co-operation agreements with the majority of EEA member states regulators, including the FCA. In cases where the conditions are not satisfied, the ability of the Company to market Ordinary Shares or raise further equity capital in those countries without co-operation agreements may be limited.

## IMPORTANT INFORMATION

No person has been authorised to issue any advertisement, give any information or make any representations in connection with the Placing Programme other than the information contained in this Prospectus and, if issued, given or made, such advertisement, information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Manager, the Investment Manager, Cantor Fitzgerald or BDO LLP. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G(1) of FSMA, neither the delivery of this Prospectus nor any application for or purchase of Ordinary Shares made pursuant to this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this Prospectus or that the information contained in this Prospectus, including any forward-looking statement, is correct as of any time subsequent to the date of this Prospectus.

This Prospectus should be read in its entirety before making any application for or purchasing any Ordinary Shares and prospective investors should rely only on the information contained in this Prospectus when deciding whether to make such an application or purchase. However, prospective investors should not treat the contents of this Prospectus as advice relating to legal, tax, investment or any other matters. Prospective investors should inform themselves as to:

- (i) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Ordinary Shares;
- (ii) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and
- (iii) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares.

Accordingly, prospective investors must rely upon their own advisers as to legal, tax, investment or any other related matters concerning the Company and an investment in the Ordinary Shares.

Subject to the final sentence of this paragraph, neither Cantor Fitzgerald nor BDO LLP takes, and each hereby excludes, any responsibility for the contents of this Prospectus pursuant to section 79(3) or 90 of FSMA or otherwise or for any statement made or purported to be made by, or on behalf of, either of them in relation to the Company or the Placing Programme and neither of them has authorised the contents of this Prospectus under Rule 5.5 of the Prospectus Rules. Accordingly, but subject to the final sentence of this paragraph, both Cantor Fitzgerald and BDO LLP disclaim all and any liability, whether arising in tort, contract or otherwise, which they might otherwise have in respect of this Prospectus or any such statement. Nothing in this paragraph shall serve to exclude or limit any responsibilities that Cantor Fitzgerald or BDO LLP may have under FSMA or the regulatory regime established under FSMA.

Statements made in this Prospectus are based on the law and practice currently in force in the United Kingdom and Jersey and are subject to changes therein.

### Jersey Listed Funds

The Company has been established in Jersey as a listed fund under a fast-track authorisation process (a "**Listed Fund**"). For the purposes of Jersey regulation, it is suitable therefore only for professional or experienced investors, or those who have taken appropriate professional advice.

Regulatory requirements which may be deemed necessary in Jersey for the protection of retail or inexperienced investors do not apply to Listed Funds. By investing in the Company investors are deemed to be acknowledging for the purposes of Jersey regulation that they are a

professional or experienced investor, or have taken appropriate professional advice, and accept the reduced requirements accordingly.

Investors are wholly responsible for ensuring that all aspects of the Company are acceptable to them. Investment in Listed Funds may involve special risks that could lead to a loss of all or a substantial portion of such investment. Unless investors fully understand and accept the nature of the Company and the potential risks inherent in the Company they should not invest in the Company.

Further information in relation to the regulatory treatment of listed funds domiciled in Jersey may be found on the website of the JFSC at [www.jerseyfsc.org](http://www.jerseyfsc.org).

## Responsibility for Information Contained in this Prospectus

The directors of the Company, whose names appear on page 32 of this Prospectus, and the Company itself accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

CQS accepts responsibility for the information contained in this Prospectus relating to or attributed to it or other members of the CQS Group (including the Investment Manager) and, without prejudice to the foregoing generality, accepts responsibility for the information in:

- (i) the section "Investment Management" in Part 1 of this Prospectus;
- (ii) Part 3 of this Prospectus; and
- (iii) paragraph 7.1 of Part 6 of this Prospectus.

Having taken all reasonable care to ensure that such is the case, the information in those parts of this Prospectus for which CQS is responsible is, to the best of CQS's knowledge, in accordance with the facts and contains no omission likely to affect its import. The information in this Prospectus for which CQS has accepted responsibility is included, in the form and context in which it is included, with the consent of CQS, which has authorised those parts of this Prospectus in which such information appears.

## Typical Investors in the Company

**The price of the Ordinary Shares, and the income from them, can go down as well as up and investors may not receive, on sale of their Ordinary Shares, the amount that they invested.**

An investment in the Ordinary Shares is only suitable for investors capable of evaluating the risks (including the potential risk of capital loss) and merits of such investment and who have sufficient resources to bear any loss which may result from such investment. Accordingly, typical investors in the Company are expected to be institutional investors, private client investment managers and private client brokers, as well as professionally advised private investors, who are seeking exposure to a regular and relatively high dividend yield, and the potential for capital growth, from their investment.

An investment in the Ordinary Shares may also be suitable for investors who are financially sophisticated, non-advised private investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss that may result from such an investment (such investors may wish to consult an independent financial adviser who specialises in advising on the acquisition of shares and other securities before investing in the Ordinary Shares).

An investment in the Ordinary Shares should constitute part of a diversified investment portfolio. As the Investment Portfolio is constructed without reference to any stockmarket index, the Ordinary Shares are an unsuitable investment for those who seek investments that are in some way correlated to a stockmarket index.

## Forward-looking Statements

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms "believes", "expects", "intends", "anticipates", "aims", "estimates", "may", "will", "would", "could" or "should" or other variations or comparable terminology or, in each case, their negative. Forward-looking statements appear in a number of places throughout this Prospectus and include, without limitation, statements regarding the current beliefs, expectations or intentions of the Company, the Directors and/or the Investment Manager concerning, among other things, the performance and prospects of the Company and the Ordinary Shares.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and, accordingly, forward-looking statements may, and often do, differ materially from actual results. Given these risks and uncertainties, investors are cautioned not to place any undue reliance on such forward-looking statements.

Forward-looking statements in this Prospectus apply only as at the date of this Prospectus. Subject to its legal and regulatory obligations (including under the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules), the Company undertakes no obligation publicly to update or revise any forward-looking statement contained in this Prospectus to reflect any change in expectations with regard to any such statement, or any change in events, conditions or circumstances on which any such statement is based, after the date of this Prospectus.

For the avoidance of doubt, nothing in this section "Forward-looking Statements" constitutes a qualification of the working capital statement contained in paragraph 6 of Part 4 of this Prospectus.

## Selling Restrictions

**Save for the UK, no action has been taken or will be taken in any jurisdiction by the Company that would permit the offering of Ordinary Shares in any jurisdiction where action for that purpose is required. Similarly, no action has been taken to permit the distribution of this Prospectus in any jurisdiction outside the UK where such action is required to be taken. Accordingly, the distribution of this Prospectus and the offering of Ordinary Shares in jurisdictions other than the UK may be restricted.**

**This Prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to apply for any Ordinary Shares by any person:**

- (i) in any jurisdiction in which such offer or invitation is not authorised;**
- (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so; or**
- (iii) to any person to whom it is unlawful to make such offer or invitation.**

**The information in this section "Selling Restrictions" is for general guidance only and it is the responsibility of any person in possession of this Prospectus to inform themselves about and observe any restrictions as to the offering of Ordinary Shares and the distribution of this Prospectus under the laws and regulations of any relevant jurisdiction outside the UK in connection with any application for or purchase of Ordinary Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such jurisdiction. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned.**

## ***Guernsey***

This Prospectus has not been approved or authorised by the Guernsey Financial Services Commission for circulation in Guernsey. This Prospectus may not be distributed or circulated directly or indirectly to any persons in the Bailiwick of Guernsey other than (i) by a person licensed to do so under the terms of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, or (ii) to those persons regulated by the Guernsey Financial Services Commission as licensees under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, the Banking Supervision (Bailiwick of Guernsey) Law, 1994, the Insurance Business (Bailiwick of Guernsey) Law, 2002 or the Regulation of Fiduciaries, Administration Business and Company Directors etc. (Bailiwick of Guernsey) Law, 2000.

## ***Jersey***

This Prospectus may be circulated in Jersey only by persons who are registered by the JFSC in accordance with the Financial Services (Jersey) Law 1998 (as amended) for the conduct of financial services business and the distribution of this Prospectus or are exempt from such registration in accordance with the Financial Services (Jersey) Law 1998, as amended.

## ***United States***

The Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Ordinary Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the US Securities Act). There will be no public offer of the Ordinary Shares in the United States. The Ordinary Shares are being offered or sold only outside the United States to non-US Persons in offshore transactions in reliance on the exemption from the registration requirements of the US Securities Act provided by Regulation S thereunder. The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended, and investors will not be entitled to the benefits of that Act.

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of Ordinary Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States and any re-offer or resale of any of the Ordinary Shares in the United States or to US Persons may constitute a violation of US law or regulation.

Unless the Company agrees otherwise in writing, each person who initially acquires Ordinary Shares pursuant to the Placing Programme or to whom any offer of Ordinary Shares is made pursuant to the Placing Programme will be deemed to have represented, warranted and agreed with the Company and Cantor Fitzgerald that the offer of Ordinary Shares was made to them, and at the time their buy order was originated they were located, outside the United States and that they are not a US Person and are not subscribing for Ordinary Shares on behalf of a US Person. The Company, Cantor Fitzgerald, their respective affiliates and others will rely upon the truth and accuracy of such deemed representation, warranty and agreement.

Any person in the United States who obtains a copy of this Prospectus is requested to disregard it.

## ***European Economic Area***

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive other than the United Kingdom (each, a "**Relevant Member State**"), an offer to the public of the Ordinary Shares may only be made once a prospectus has been passported in accordance with the Prospectus Directive as implemented by the Relevant Member State. This Prospectus has not been passported into any Relevant Member State and, therefore, an offer of the Ordinary Shares to the public in a Relevant Member State may only be made pursuant to the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
  - (ii) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors (as defined in the Prospectus Directive)) in such Relevant Member State, subject to obtaining the prior consent of Cantor Fitzgerald for any such offer; or
  - (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive;
- provided that no such offer of Ordinary Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive. Each person who initially acquires Ordinary Shares pursuant to the Placing Programme or to whom any offer of Ordinary Shares is made pursuant to the Placing Programme will be deemed to have represented, warranted and agreed with the Company and Cantor Fitzgerald that it is a qualified investor (within the meaning of the law of the Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive).

For the purposes of this section "European Economic Area", the expression an **"offer to the public"** in relation to any offer of shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression **"Prospectus Directive"** means Directive 2003/71/EC (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any implementing measure in each Relevant Member State and the expression **"2010 PD Amending Directive"** means Directive 2010/73/EU.

In the case of any Ordinary Shares acquired by a financial intermediary (as that term is used in Article 3(2) of the Prospectus Directive) pursuant to the Placing Programme, such financial intermediary will be deemed to have represented, warranted and agreed with the Company and Cantor Fitzgerald that such Ordinary Shares acquired by it have not been acquired on a non-discretionary basis on behalf of, and have not been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a Relevant Member State to qualified investors (as defined in the Prospectus Directive) or in circumstances in which the prior consent of Cantor Fitzgerald has been obtained to each such proposed offer or resale. The Company, Cantor Fitzgerald, their respective affiliates and others will rely upon the truth and accuracy of such deemed representation, warranty and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified Cantor Fitzgerald of such fact in writing may, with the consent of Cantor Fitzgerald, be permitted to subscribe for or purchase Ordinary Shares pursuant to the Placing Programme.

During the period up to but excluding the date on which the Prospectus Directive is implemented in member states of the European Economic Area, this Prospectus may not be used for, or in connection with, and does not constitute, any offer of Ordinary Shares or an invitation to subscribe for or purchase any Ordinary Shares in any member state of the European Economic Area in which such offer or invitation would be unlawful.

***Australia, Canada, Japan, New Zealand or the Republic of South Africa***

The Ordinary Shares have not been, and will not be, registered under the laws of Australia, Canada, Japan, New Zealand or the Republic of South Africa or with any securities regulatory authority of Australia, Canada, Japan, New Zealand or the Republic of South Africa. Accordingly, unless an exemption under such laws is applicable, the Ordinary Shares may not be offered, sold or delivered, directly or indirectly, within Australia, Canada, Japan, New Zealand or the Republic of South Africa (as the case may be).

Unless the Company agrees otherwise in writing, each person who initially acquires Ordinary Shares pursuant to the Placing Programme or to whom any offer of Ordinary Shares is made pursuant to the Placing Programme will be deemed to have represented, warranted and agreed with the Company and Cantor Fitzgerald that they are not a resident of Australia, Canada,

Japan, New Zealand or the Republic of South Africa or a corporation, partnership or other entity organised under the laws of Australia or Canada (or any political subdivision of either of them) or Japan, New Zealand or the Republic of South Africa and that they are not subscribing for such Ordinary Shares for the account of any resident of Canada, Japan, Australia, New Zealand or the Republic of South Africa and will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Ordinary Shares in or into Australia, Canada, Japan, New Zealand or the Republic of South Africa or to any resident in Australia, Canada, Japan, New Zealand or the Republic of South Africa. The Company, Cantor Fitzgerald, their respective affiliates and others will rely upon the truth and accuracy of such deemed representation, warranty and agreement.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Placing Programme opens	Tuesday, 28 January 2014
Earliest date for Ordinary Shares to be issued pursuant to Placing Programme	Tuesday, 28 January 2014
Placing Programme closes	Tuesday, 27 January 2015 (or any earlier date on which it is fully subscribed)
Latest date for Ordinary Shares to be issued pursuant to Placing Programme	Tuesday, 27 January 2015 (or any earlier date on which it is fully subscribed)

## ILLUSTRATIVE PLACING PROGRAMME STATISTICS

Maximum number of Ordinary Shares to be issued pursuant to Placing Programme	61,059,834
Minimum issue price per new Ordinary Share	Higher of (i) aggregate of estimated prevailing NAV per Ordinary Share (cum-income) at time proposed issue is agreed and Issue Costs per new Ordinary Share and (ii) 90 per cent. of middle market price per Ordinary Share at time proposed issue is agreed
Maximum issue price per new Ordinary Share	Best offer price per Ordinary Share at time proposed issue is agreed

## ORDINARY SHARE DEALING CODES

ISIN	JE00B1LZS514
SEDOL	B1LZS51
Ticker	NCYF

DIRECTORS, MANAGER, ADVISERS  
AND SERVICE PROVIDERS

**Directors**

James Glynn West (*Chairman*)  
Gavin Duncan Paul Breeze  
Allister Francis de Lisle Carey  
Adrian John Reginald Collins

Graeme David Rossall non-executive and of Ordnance House, 31 Pier Road, St Helier, Jersey  
JE4 8PW

**Investment Manager<sup>1</sup>**

CQS Cayman Limited Partnership  
P.O. Box 242  
45 Market Street  
Gardenia Court, Camana Bay  
Grand Cayman KY1-1104  
Cayman Islands

New City Investment Managers  
5<sup>th</sup> Floor  
33 Chester Street  
London SW1X 7BL

**Company Secretary & Jersey  
Administrator**

R&H Fund Services (Jersey) Limited  
Ordnance House  
31 Pier Road  
St Helier  
Jersey JE4 8PW

**UK Administrator**

R&H Fund Services Limited  
15-19 York Place  
Edinburgh EH1 3EB

**Financial Adviser &  
Corporate Broker**

Cantor Fitzgerald Europe  
One Churchill Place  
Canary Wharf  
London E14 5RB

**UKLA Sponsor**

BDO LLP  
55 Baker Street  
London W1U 7EU

**UK Legal Advisers to the Company**

Maclay Murray & Spens LLP  
One London Wall  
London EC2Y 5AB

**Jersey Legal Advisers to the Company**

Ogier  
Ogier House  
The Esplanade  
St Helier  
Jersey JE4 9WG

**Auditors**

KPMG Audit Plc  
20 Castle Terrace  
Edinburgh EH1 2EG

**Bankers & Custodian**

HSBC Bank PLC  
8 Canada Square  
London E14 5HQ

**Registrar**

Computershare Investor Services (Jersey) Limited  
Queensway House  
Hilgrove Street  
St Helier  
Jersey JE1 1ES

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<sup>1</sup> The Company has appointed CQS as its investment manager. However, CQS has, with the agreement of the Board, delegated that function to NCIM.

# PART 1

## NEW CITY HIGH YIELD FUND LIMITED

### Introduction

New City High Yield Fund Limited is a Jersey-incorporated, closed-ended investment company that was launched in March 2007 when the assets and bank debt of New City High Yield Trust plc were rolled over into the Company pursuant to a scheme for the voluntary winding up of NCHYT under section 110 of the UK Insolvency Act 1986. Under that scheme, the Company issued to holders of NCHYT Shares one Ordinary Share for every NCHYT Share then held by them.

The Company's investment objective is to provide investors with a high dividend yield and the potential for capital growth by investing mainly in high yielding fixed interest securities. The Company has appointed CQS Cayman Limited Partnership as its investment manager. However, CQS has, with the agreement of the Board, delegated that function to New City Investment Managers.

As at 24 January 2014, the Company had total assets (unaudited) of £162.8 million and borrowings, in the form of short-term bank debt, of £12.4 million and its market capitalisation was £158.1 million. As at 24 January 2014, the unaudited NAV per Ordinary Share was 61.58p.

Over the period from the Company's launch on 7 March 2007 to 24 January 2014:

- the NAV total return per Ordinary Share was 83.6 per cent.; and
- the Ordinary Shares traded at an average premium to NAV (ex-income) of 5.3 per cent.

As a result of the Company's performance and the consistently strong rating of the Ordinary Shares, since the Company's launch further Ordinary Shares equivalent to approximately 93 per cent. of the Company's issued share capital at launch have been issued, on a non-pre-emptive and NAV-accretive basis, pursuant to various Ordinary Share allotment authorities granted to the Directors.

At an extraordinary general meeting of the Company held on 5 December 2013, a special resolution was passed authorising the Directors to issue further Ordinary Shares, equivalent to 25 per cent. of the Ordinary Shares currently in issue, on a non-pre-emptive and NAV-accretive basis. The Board believes that this authority will assist the Company in managing the premium at which the Ordinary Shares trade.

The Prospectus Rules provide that, where a company wishes to apply for the admission to trading on a regulated market of shares representing, over a period of 12 months, 10 per cent. or more of that company's shares which are already admitted to trading on that regulated market, then the company concerned is required to issue a prospectus. As a result of new Ordinary Shares issued in February and March 2013, the Directors would not be able to exercise their authority to issue further Ordinary Shares until 14 February 2014 without the Company first publishing a prospectus. The Company has published this Prospectus to enable the Directors to exercise their authority to issue further Ordinary Shares prior to 14 February 2014 and to have the ability, over the 12 months following the publication of this Prospectus, to issue further new Ordinary Shares equivalent in aggregate to up to 25 per cent. of the Ordinary Shares in issue at the date of this Prospectus.

The Directors believe that the principal benefits for existing Shareholders of the Placing Programme are as follows:

- the Placing Programme should enable the Company to issue new Ordinary Shares tactically to manage the premium at which the Ordinary Shares trade (this should benefit existing Shareholders, as it should reduce the volatility of the price at which the Ordinary Shares trade, and also new investors, as it should reduce the risk of the Ordinary Shares

trading at a sizeable premium that may not be sustained and which may adversely affect the return on their investment should the level of the premium reduce);

- the issue of new Ordinary Shares at a premium to NAV (net of Issue Costs) will result in a modest NAV uplift for the Ordinary Shares already in issue;
- the issue of further Ordinary Shares will increase the size of the Company, thereby spreading its fixed operating costs over a larger capital base which should lead to a small reduction in the Company's ongoing charges per Ordinary Share; and
- the issue of further Ordinary Shares should continue to improve liquidity in the market for the Ordinary Shares.

## 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.

## Investment Policy

The Company invests predominantly in fixed income securities, including, but not limited to, preference shares, loan stocks, corporate bonds (convertible and/or redeemable) and government stocks. The Company also invests in equities and other income-yielding securities.

Exposure to higher yielding securities may also be obtained by investing in other closed-ended investment companies and open-ended collective investment schemes.

There are no defined limits on countries, size or sectors and, therefore, the Company may invest in companies regardless of country, size or sector. Accordingly, the Investment Portfolio is constructed without reference to the composition of any stockmarket index or benchmark.

The Company may, but is not obliged to, invest in derivatives, financial instruments, money market instruments and currencies for the purpose of efficient portfolio management.

There are no defined limits on listed securities and, accordingly, the Company may invest up to 100 per cent. of total assets in any particular type of listed security.

The Company may acquire securities that are unlisted or unquoted at the time of investment but which are about to be, or are immediately convertible at the option of the Company into securities which are, listed or traded on a stock exchange, and may continue to hold securities that cease to be listed or traded if the Investment Manager considers this appropriate. The Board has established a maximum investment limit in this regard of 10 per cent (calculated at the time of any relevant investment) of the Company's total assets. In addition, the Company may invest up to 10 per cent (calculated at the time of any relevant investment) of its total assets in other securities that are neither listed nor traded at the time of investment.

The Company will not invest more than 10 per cent (calculated at the time of any relevant investment) of its total assets in other collective investment undertakings (open-ended or closed-ended).

The Board has established a maximum investment limit whereby, at the time of investment, the Company may not invest more than 5 per cent of its total investments in the same investee company.

The Company uses gearing and the Board has set a current limit that gearing will not exceed 25 per cent. of Shareholders' funds at the time of borrowing. This limit is reviewed from time to time by the Board.

The Investment Manager expects that the Company's assets will normally be fully invested. However, during periods in which changes in economic circumstances, market conditions or other factors so warrant, the Company may reduce its exposure to securities and increase its positions in cash, money market instruments and derivative instruments in order to seek protection from stockmarket falls or volatility.

The Company may only make material changes to its investment policy with the approval of Shareholders (in the form of an ordinary resolution). In addition, any changes to the Company's investment policy will require the prior consent of the JFSC to the extent that they are contrary to the terms of the JFSC's Jersey Listed Fund Guide or any of the JFSC's published policies applicable to Listed Funds (as defined in that guide).

In the event of any breach of the Company's investment policy, Shareholders will be informed of the actions to be taken by the Investment Manager by an announcement issued through a Regulatory Information Service or a notice sent to Shareholders at their registered addresses in accordance with the Articles.

### Investment Approach

Investments are typically made in securities which the Investment Manager has identified as undervalued by the market and which it believes will generate above average income returns relative to their risk, thereby also generating the scope for capital appreciation. In particular, the Investment Manager seeks to generate capital growth by exploiting the opportunities presented by the fluctuating yield base of the market and from redemptions, conversions, reconstructions and take-overs.

### Track Record

The Company's predecessor, NCHYT, had substantially the same investment objective and policy as the Company has and, to ensure continuity of record, on the voluntary winding up of NCHYT and launch of the Company in March 2007, one Ordinary Share was issued for every one NCHYT Share then held. The Investment Manager's team managed NCHYT from 1 November 2004.

The NAV and share price total return of the Company (including, for this purpose, NCHYT prior to March 2007) over the 10 years ended 24 January 2014 is shown in the following table.

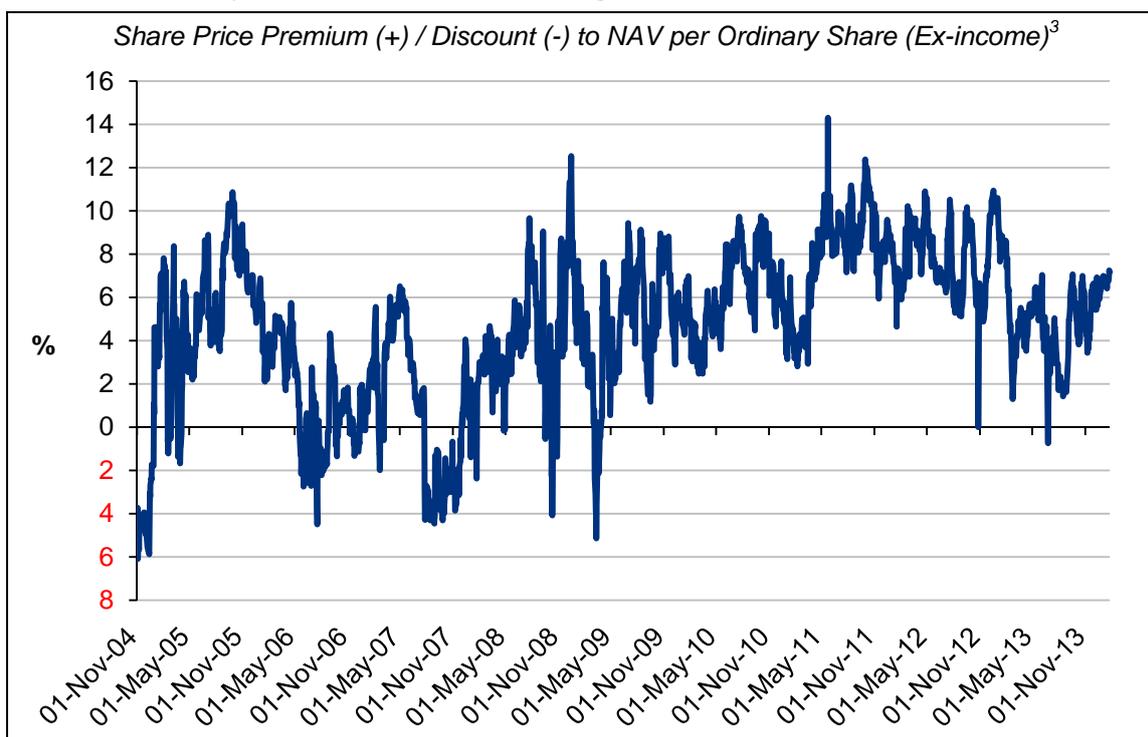
	<i>To 24 January 2014</i>				<i>From 1 November 2004</i>
	<i>6 Months</i>	<i>1 Year</i>	<i>3 Years</i>	<i>5 Years</i>	
NAV total return per share (%)	3.0	3.8	32.6	117.4	140.1
Share price total return (%)	7.2	0.9	34.0	116.5	160.9

The following table shows the aggregate dividends per share per annum paid by the Company and its predecessor, NCHYT, and the resulting annualised dividend yield over the last eight financial years ended 30 June 2013 (the financial year ended 30 June 2006 was NCHYT's first full financial year under the management of the Investment Manager's team).

	<i>Financial Year Ended 30 June</i>							
	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Aggregate dividends paid (p)	2.80	2.95	3.57	3.65	3.75	3.87	4.01	4.10
Increase in dividends paid relative to previous year (%)	-	+5.4	+21.0	+2.2	+2.7	+3.2	+3.6	+2.2
Dividend yield (annualised <sup>2</sup> ) (%)	5.4	5.5	6.8	8.1	6.7	6.1	6.8	6.7

<sup>2</sup> Based on the Ordinary Share price at the end of the financial year.

The price at which the Ordinary Shares (including, for this purpose, the NCHYT Shares prior to March 2007) have traded relative to their NAV (ex-income) over the period from 1 November 2004 to 24 January 2014 is shown in the following chart.



## Share Capital

### **Rights Attaching to Ordinary Shares**

The Company's capital structure consists only of Ordinary Shares.

The Ordinary Shares carry the right to receive all dividends declared by the Company or the Directors. On a winding-up, provided the Company has satisfied all of its liabilities, the holders of Ordinary Shares are entitled to all of the surplus assets of the Company. Shareholders are entitled to attend and vote at all general meetings of the Company and, on a poll, to one vote for each Ordinary Share held. The Ordinary Shares are in registered form. The Ordinary Shares in issue at the date of this Prospectus have been admitted to the premium segment of the Official List and are traded on the Main Market. Any issue of new Ordinary Shares pursuant to the Placing Programme will be conditional on those new Ordinary Shares being admitted to the premium segment of the Official List and to trading on the Main Market.

### **Further Issues of Ordinary Shares**

Jersey Company Law does not confer UK-style pre-emption rights on Shareholders. However, further issues of Ordinary Shares, including any issue of new Ordinary Shares, for cash are subject to the UK-style pre-emption rights conferred on existing Shareholders by the Articles, save to the extent of UK-style disapplications of those rights approved by a special resolution of the Company.

At the date of this Prospectus, the Directors had an unutilised authority to issue for cash, on a non-pre-emptive basis, up to 61,059,834 new Ordinary Shares (equivalent to 25 per cent. of the Ordinary Shares in issue at the date of this Prospectus), which, to the extent not previously utilised, will expire at the annual general meeting of the Company to be held in 2014.

<sup>3</sup> Source: Thomson Reuters Datastream.

The Company will not issue any new Ordinary Shares pursuant to the Placing Programme Issue Authority at a price per share that is less than the aggregate of the estimated prevailing NAV per Ordinary Share (cum-income) at the time the proposed issue is agreed and the Issue Costs per new Ordinary Share and, accordingly, any such issue will not be NAV-dilutive for existing Shareholders. Furthermore, the Company will not issue new Ordinary Shares at a price per share that is less than 90 per cent. of the middle market price of the Ordinary Shares at the time the proposed issue is agreed. Information on the dilutive effect of the new Ordinary Shares on existing Shareholders' voting rights is set out in paragraph 9.2 of Part 6 of this Prospectus.

### ***Buy-backs of Ordinary Shares***

At the date of this Prospectus, the Company had an unutilised authority to buy-back through the market for cash up to 36,611,477 Ordinary Shares (equivalent to 14.99 per cent. of the Ordinary Shares in issue at the date of this Prospectus), which, to the extent not previously utilised, will expire at the annual general meeting of the Company to be held in 2014. The Directors intend to seek Shareholder approval for the annual (or, if required, more frequent) renewal of the Company's authority to buy back Ordinary Shares through the market for cash.

Buy-backs of Ordinary Shares will only be made through the market for cash at prices below the prevailing NAV per Ordinary Share where the Directors believe such buy-backs will enhance value for remaining Shareholders and as a means of addressing any imbalance between the supply and demand for the Ordinary Shares. Furthermore, the price (exclusive of expenses) to be paid for any Ordinary Shares bought back will not be more than the higher of:

- 5 per cent. above the average market value of the Ordinary Shares for the five business days before the buy-back is made; and
- the higher of (i) the price of the last independent trade and (ii) the highest current independent bid on the Main Market for the Ordinary Shares.

The making and timing of any Ordinary Share buy-backs is at the absolute discretion of the Board and purchases of Ordinary Shares may be made only in accordance with the Articles, Jersey Company Law, the Listing Rules, the Disclosure and Transparency Rules and any applicable insider dealing rules.

Any Ordinary Shares bought back by the Company may be cancelled or held in treasury.

### ***Treasury Shares***

The Company may hold Ordinary Shares acquired by way of market purchase "in treasury", meaning that the Ordinary Shares remain in issue owned by the Company rather than being cancelled. The Company may hold up to 10 per cent. of the issued Ordinary Shares at any time in this way.

Ordinary Shares held in treasury may be subsequently cancelled or sold for cash. The Directors do not intend to sell any Ordinary Shares held in treasury at a discount to the prevailing NAV per Ordinary Share. Ordinary Shares held in treasury will not be entitled to receive any dividends declared by the Company or the Board.

Holding Ordinary Shares in treasury should give the Company the ability to sell such shares quickly and cost efficiently and should provide the Company with additional flexibility in the management of its capital base. In addition, the Board believes that the effective use of treasury shares could assist the Company in improving liquidity in the Ordinary Shares and managing any imbalance between supply and demand.

### ***Dividend Policy***

The Company will only pay dividends on the Ordinary Shares to the extent that it has sufficient financial resources available for the purpose in accordance with Jersey Company Law. In the absence of unforeseen circumstances, the Company aims at least to maintain the level of dividends paid in respect of each financial year. This is a target dividend level and does not constitute a forecast of the profits or return from investment in the Company and there is no guarantee of any particular level of profits or return being achieved.

In the absence of unforeseen circumstances, dividends on the Ordinary Shares are payable quarterly, all in the form of interim dividends (the Company does not intend to pay any final dividends), with the pattern normally consisting of three smaller interim dividends and a fourth larger interim dividend. The Company expects to pay, in respect of each financial year, interim dividends on the Ordinary Shares in February, May, August and November in respect of the three months ending on the preceding 31 December, 31 March, 30 June and 30 September, respectively.

## Directors

The Board currently comprises:

- **James West (Chairman)**, age 66 and a UK resident, is a chartered accountant and was formerly managing director of Lazard Brothers & Co. Ltd and chief executive of Lazard Asset Management Ltd. He is a director of British Assets Trust plc, JPMorgan Income and Capital Trust plc and Threadneedle UK Select Trust Limited.
- **Gavin Breeze**, age 52 and a Jersey resident, founded DataCash Group plc in September 1997 and was responsible for development of its payment services and products, setting up strategic relationships and developing its merchant client base. He left the board of DataCash Group plc in March 2008 and now runs his own consultancy company focused on payment services. He is also a director of Proxima Ltd and MoBank Ltd.
- **Allister Carey**, age 63 and a Guernsey resident, has over 30 years' experience of stock broking and investment management in Guernsey and is a fellow of the Securities Institute. Until February 2003, he was in charge of the Guernsey branch of Brewin Dolphin, a post that he held since its inception in 1997. Prior to that appointment he had been the chief executive in Guernsey for James Capel (Channel Islands) Ltd. He is also a director of The Red Fort Partnership Ltd.
- **Adrian Collins**, age 59 and a UK resident, has worked in the fund management business for over 35 years, a large part of which was at Gartmore Investment Management Limited where latterly he was managing director. He is Chairman of Liontrust Asset Management plc and Bahamas Petroleum Company PLC and is also on the board of City Natural Resources High Yield Trust plc and a number of other companies.
- **Graeme Ross**, age 52 and Jersey resident, joined the Jersey practice of Rawlinson & Hunter in 1986 having previously worked at KPMG having qualified as a Chartered Accountant in 1984. In 1994 he was admitted to the Jersey partnership of Rawlinson & Hunter. He has been the managing director of R&H Fund Services (Jersey) Limited since 1996 and has in-depth knowledge and experience of the fund management industry generally and retail funds in particular. He has worked in the offshore fund management industry for over 20 years and also served as a committee member of the Jersey Fund Association for three years.

All of the Directors are non-executive and were appointed on 17 January 2007. In accordance with the Listing Rules, Adrian Collins and Graeme Ross, who are also directors of other investment companies that are managed by New City Investment Managers, are subject to annual re-election. James West, Gavin Breeze and Allister Carey are subject to retirement by rotation in accordance with the Articles and may offer themselves for re-election.

The Directors have overall responsibility for the Company's activities, including its investment performance. However, the Company has delegated:

- day-to-day investment management of its Investment Portfolio to CQS, which in turn (with the Board's agreement) has delegated its investment management function to New City Investment Managers; and
- its administration (including accounting and valuation functions), compliance oversight and company secretarial arrangements to R&H Fund Services (Jersey) Limited, which in turn (with the Board's agreement) has delegated certain of its functions to R&H Fund Services Limited.

## Investment Management

The Company appointed New City Investment Managers as its investment manager with effect from its launch in March 2007. On 1 October 2007, NCIM, which is based in London, joined the CQS Group, a global diversified asset manager running multiple strategies with, as at 31 December 2013, approximately US\$12.3 billion assets under management (including mandates with discretionary management, sub-investment discretionary management, investment advice, collateral management and intermediation), becoming a CQS Group company. NCIM's rights and obligations under the investment management agreement between the Company and NCIM were then novated to CQS. Consequently, CQS became the Company's investment manager but, with the agreement of the Board, has delegated that function to NCIM.

As at 31 December 2013, NCIM had assets under management of approximately £316 million on behalf of five closed-ended investment companies (including the Company). NCIM's investment team of four fund management professionals works closely together in managing NCIM's fund clients, including the Company, and is supported by the broader CQS Group.

The Investment Portfolio is managed by Ian Francis. He joined NCIM in 2007 and has more than 35 years' experience in trading and portfolio management, having worked in a variety of roles in convertible bond trading and sales at firms including Collins Stewart Limited, where he was Head of Trading and Convertibles, West LB Panmure as Head of Convertibles, James Capel & Co. and Hoare Govett & Co. Ian Francis began his career in fund management at Baring Bros. and Phillips & Drew.

The Investment Management Agreement sets out the matters over which the Investment Manager has authority and the limits beyond which Board approval must be sought. All other matters (including strategy, investment and dividend policies, gearing and corporate governance procedures) are reserved for the approval of the Board of Directors. Under the Investment Management Agreement, the Company pays CQS an investment management fee of 0.8 per cent. per annum of the Company's Adjusted Total Assets, payable monthly in arrears. The Investment Management Agreement may be terminated by either the Company or CQS giving to the other not less than 12 months' notice. CQS is responsible for the fee payable to NCIM.

Further information on CQS and the Investment Manager and details of the Investment Management Agreement are set out in paragraph 7.1 of Part 6 of this Prospectus.

## Administration

The Company has appointed R&H Fund Services (Jersey) Limited to provide administrative, compliance oversight and company secretarial services to the Company. The principal business of the Jersey Administrator is the provision of fund administration services, including the provision of company secretarial, accounting and associated services.

As part of the Company's administration arrangements, the accounting, valuation, UK compliance oversight and certain other administrative services have been delegated by the Jersey Administrator to R&H Fund Services Limited. The UK Administrator is a wholly owned subsidiary of R&H Fund Services (Jersey) Limited. The principal business of the UK Administrator is also the provision of fund administration services, including the provision of company secretarial, accounting and associated services.

Under the Administration Agreement, the Jersey Administrator is currently entitled to a fixed fee of £26,000 per annum (index-linked), including the director's fee payable to Graeme Ross. The UK Administrator is currently entitled to a fixed fee of £57,000 per annum (index-linked) and a variable fee of 0.075 per cent. per annum of the Company's total assets less current liabilities (excluding bank borrowings) in excess of £50 million, subject to a maximum variable fee of £75,000 per annum. The Administration Agreement and the Delegation Agreement may be terminated by any party giving to the other or others not less than 12 months' notice.

Further information on the Jersey Administrator and the UK Administrator and details of the Administration Agreement and the Delegation Agreement are set out in paragraph 7.2 of Part 6 of this Prospectus.

## Corporate Governance

The Jersey Funds Codes were introduced by the JFSC on 2 April 2012. The Jersey Funds Codes were issued under powers given to the JFSC under Jersey Funds Law for the purpose of providing sound principles and practical guidance in respect of unclassified collective investment funds holding a certificate issued by the JFSC pursuant to Jersey Funds Law. The Company is subject to the Jersey Funds Codes.

The Jersey Funds Codes are arranged under nine fundamental principles:

- a fund must conduct its business with integrity;
- a fund must act in the best interests of its shareholders;
- a fund must organise and control its affairs effectively for the proper performance of its business activities and be able to demonstrate the existence of adequate risk management systems;
- a fund must be transparent in its business arrangements with shareholders;
- a fund must maintain, and be able to demonstrate the existence of, both adequate financial resources and adequate insurance;
- a fund must deal with the JFSC and other authorities in Jersey in an open and co-operative manner;
- a fund must not make statements that are misleading, false or deceptive;
- a fund must at all times comply and be operated in accordance with any applicable guidance; and
- a fund must comply with the applicable sections of the Codes of Practice for Alternative Investment Funds and AIF Services Business.

Under the Jersey Funds Codes, it is the responsibility of the Board to ensure the Company complies with the Jersey Funds Codes and to implement such additional practices as it deems necessary to ensure the proper management and control of the business of the Company.

In addition to complying with the Jersey Funds Codes, the Company complies with the recommendations of the AIC Code of Corporate Governance (the "**AIC Code**") issued in February 2013 by reference to the AIC Corporate Governance Guide for Investment Companies (the "**AIC Guide**") as published from time to time. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code (the "**UK Code**") issued by the Financial Reporting Council in September 2012 as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), provides better information to Shareholders than if it had adopted the UK Code.

The Company complies (and, during its financial year ended 30 June 2013, complied) with the recommendations of the AIC Code and the relevant provisions of the UK Code and the relevant provisions of the UK Code, save with regard to the following:

- *Role of the chief executive and directors' remuneration:* Since all Directors are non-executive and the Company has no employees, and in accordance with the AIC Code and the preamble to the UK Code, the Board considers that the post of chief executive officer is not relevant for the Company as this role has been delegated to the Investment Manager under the terms of the Investment Management Agreement.
- *Directors' remuneration and remuneration committee:* Since all Directors are non-executive, the Company is not required to comply with the principles of the UK Code in

respect of executive Directors' remuneration and, accordingly, the Board has not appointed a remuneration committee.

- *Internal audit function:* The Directors consider that, as the Company is an externally managed investment company, an internal audit function is not necessary.

Instead of a remuneration committee, the Board has appointed a management engagement committee, which comprises the full Board and is chaired by James West. The function of this committee is to review the appropriateness of the Investment Manager's continuing appointment, including the terms and conditions of its appointment, on a regular basis.

The Board has appointed an audit committee, which operates within clearly defined terms of reference. The audit committee comprises Gavin Breeze, Allister Carey, Adrian Collins and James West and is chaired by Gavin Breeze. In summary, the audit committee's main functions are:

- to review and monitor the internal financial control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing and challenging, where necessary, the actions and judgements of the Investment Manager, the Jersey Administrator and the UK Administrator;
- to meet with the Company's auditors to review their proposed audit programme of work and the findings of its auditors (the audit committee also uses this as an opportunity to assess the effectiveness of the audit process);
- to develop and implement policy on the engagement of the external auditor to supply non-audit services;
- to review an annual statement from the Investment Manager detailing the arrangements in place within the CQS Group whereby CQS Group staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations to the Board in relation to the appointment of the Company's auditors and to approve the remuneration and terms of engagement of the Company's auditors; and
- to monitor and review annually the independence, objectivity, effectiveness, resources and qualifications of the Company's auditors.

The Board has also appointed a nomination committee, which comprises the entire Board and is chaired by James West. The nomination committee is convened, as and when appropriate, for the purpose of considering the appointment of additional or replacement Directors. In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board.

## Taxation

Information concerning the tax status of the Company and the taxation of Shareholders in the UK is contained in Part 5 of this Prospectus.

## Duration of the Company

The Company does not have a fixed life. However, Shareholders are given the opportunity to vote on an ordinary resolution to continue the Company as an investment company at each annual general meeting of the Company. If any such resolution is not passed, the Board will put forward proposals at a further extraordinary general meeting to liquidate, open-end or otherwise reconstruct or reorganise the Company.

## PART 2

### DETAILS OF THE PLACING PROGRAMME

#### Introduction

The Company intends to issue up to 61,059,834 Ordinary Shares (equivalent to 25 per cent. of the issued share capital of the Company as at the date of this Prospectus) pursuant to the Placing Programme. The Placing Programme is flexible and may have a number of closing dates in order to provide the Company with the ability to issue Ordinary Shares over a period of time. The Placing Programme is intended to:

- satisfy, at least in part, market demand for the Ordinary Shares and thereby manage the premium at which the Ordinary Shares trade in the market; and
- raise further money for investment in accordance with the Company's investment objective and policy.

The Placing Programme has not been underwritten and, accordingly, the maximum number of new Ordinary Shares available under the Placing Programme should not be taken as an indication of the final number of new Ordinary Shares that will be issued. Therefore, the number of new Ordinary Shares actually issued pursuant to the Placing Programme may be less than the maximum number available under it.

New Ordinary Shares issued pursuant to the Placing Programme will rank *pari passu* in all respects with the Ordinary Shares already in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the issue of the relevant new Ordinary Shares). The net proceeds of any issue of new Ordinary Shares pursuant to the Placing Programme, after providing for the Company's operational expenses, will be invested in investments consistent with the Company's investment objective and policy.

#### Background to, and Reasons for, the Placing Programme

Over the period from the Company's launch on 7 March 2007 to 24 January 2014, the Ordinary Shares traded at an average premium of 5.3 per cent. to the NAV per Ordinary Share (ex-income) and at a premium on 93.2 per cent. of the dealing days in that period (the days on which the Ordinary Shares traded at a discount occurred mainly during the financial crisis).

Over the three years ended 24 January 2014:

- the Ordinary Shares traded at an average premium of 6.9 per cent. to the NAV per Ordinary Share (ex-income) and at a premium on 99.7 per cent. of the dealing days in that period; and
- the Ordinary Share price ranged from a discount of 0.8 per cent. to a premium of 14.3 per cent. (and, as at 24 January 2014, the Ordinary Shares were trading at a premium of 7.2 per cent.) to the NAV per Ordinary Share (ex-income).

The Directors have sought, at each annual general meeting, the standard authority to enable the Company to issue for cash, on a non-pre-emptive basis, new Ordinary Shares equivalent to 10 per cent. of the Ordinary Shares in issue at the time the relevant authority is granted. Historically, as a result of the premium rating of the Ordinary Shares, those authorities have been fully utilised. Since the Company's launch, new Ordinary Shares equivalent to approximately 93 per cent. of the Company's issued share capital at launch have been issued, on a non-pre-emptive and NAV-accretive basis, pursuant to various Ordinary Share allotment authorities granted to the Directors.

In the light of the continuing demand for the Ordinary Shares, having regard to the benefits of enlarging the Company and with the aim of assisting the Company in managing the premium at which the Ordinary Shares trade, an extraordinary general meeting of the Company was held on 5 December 2013 at which, in substitution for the existing non-pre-emptive issue authorities,

the Company was authorised to issue for cash, on a non-pre-emptive basis, 61,059,834 new Ordinary Shares (equivalent to 25 per cent. of the Ordinary Shares in issue at the date of this Prospectus).

Whilst 25 per cent. is higher than the disapplication of pre-emption rights authority ordinarily recommended by corporate governance best practice, the Directors believe that taking a larger than normal authority is justified in the present circumstances. The Directors intend to use the Placing Programme Issue Authority when they consider that it is in the best interests of Shareholders to do so and to satisfy continuing demand for the Ordinary Shares. As with the Ordinary Share issues to date, new Ordinary Shares will not be issued pursuant to the Placing Programme at a price per share that is less than the aggregate of the estimated prevailing NAV per Ordinary Share (cum-income) at the time the proposed issue is agreed and the Issue Costs per new Ordinary Share and, accordingly, any such issue will not be NAV-dilutive for existing Shareholders. Whilst Shareholders' voting rights will be diluted, the Directors believe that this consideration is outweighed by the flexibility that a larger authority provides.

### Benefits of the Placing Programme

The Directors believe that the principal benefits of the Placing Programme and any issue of new Ordinary Shares pursuant to the Placing Programme Issue Authority are as follows:

- the Company's ability to issue new Ordinary Shares tactically to manage the premium at which the Ordinary Shares trade will be enhanced (this should benefit both existing Shareholders, as it should reduce the volatility of the price at which the Ordinary Shares trade, and new investors, as it should reduce the risk of the Ordinary Shares trading at a sizeable premium that may not be sustained and which may adversely affect the return on their investment should the level of the premium reduce);
- the issue of new Ordinary Shares at a premium to NAV (net of Issue Costs) will result in a modest NAV uplift for the Ordinary Shares already in issue;
- the issue of further Ordinary Shares will increase the size of the Company, thereby spreading its fixed operating costs over a larger capital base which should lead to a small reduction in the Company's ongoing charges per Ordinary Share; and
- the issue of further Ordinary Shares should continue to improve liquidity in the market for the Ordinary Shares.

### The Placing Programme

The Placing Programme, which is not underwritten, will open on Tuesday, 28 January 2014 and will close on Tuesday, 27 January 2015 (or any earlier date on which it is fully subscribed). The maximum number of Ordinary Shares to be issued pursuant to the Placing Programme is 61,059,834. The minimum subscription amount for new Ordinary Shares under the Placing Programme will be £10,000. Fractions of Ordinary Shares will not be issued.

The minimum price at which new Ordinary Shares will be issued pursuant to the Placing Programme will be the higher of:

- the aggregate of (i) the estimated prevailing NAV per Ordinary Share (cum-income) at the time the proposed issue is agreed and (ii) the Issue Costs per new Ordinary Share; and
- 90 per cent. of the middle market price of the Ordinary Shares at the time the proposed issue is agreed.

The maximum price at which new Ordinary Shares will be issued pursuant to the Placing Programme will be the best offer price per Ordinary Share traded on the London Stock Exchange's Main Market at the time the proposed issue is agreed. For illustrative purposes only, if 1,000,000 new Ordinary Shares had been issued pursuant to the Placing Programme as at the close of business on 24 January 2014, the prevailing NAV per Ordinary Share (cum-income) would have been 61.58p, the Issue Costs per new Ordinary Share would have been

1.21p and the minimum and maximum prices at which new Ordinary Shares would have been issued would have been 62.79p and 64.75p respectively.

New Ordinary Shares to be issued pursuant to the Placing Programme may be:

- made available at the Placing Price, on an *ad hoc* basis, to Cantor Fitzgerald for sale in the secondary market in response to market demand for the Ordinary Shares; or
- placed with institutional investors, private client investment managers and private client brokers at the Placing Price through a book build exercise conducted by Cantor Fitzgerald as agent for the Company (the Directors anticipate that an initial placing will be completed shortly after the publication of this Prospectus).

The issue of new Ordinary Shares under the Placing Programme is at the discretion of the Directors. Issues may take place at any time prior to the final closing date of Tuesday, 27 January 2015 (or any earlier date on which it is fully subscribed). An announcement of each issue will be released through a Regulatory Information Service, including details of the number of new Ordinary Shares issued and the Placing Price for that issue.

None of the Directors and, so far as the Directors are aware as at the date of this Prospectus, no other related party (as defined in the Listing Rules) intends to make a commitment for Shares under the Placing Programme. In the event that a related party (as defined in the Listing Rules) wished to acquire new Ordinary Shares pursuant to the Placing Programme, the Company would comply with its obligations under Chapter 11 of the Listing Rules, including, if required, seeking Shareholder approval for the issue of Ordinary Shares to that related party.

New Ordinary Shares issued pursuant to the Placing Programme will be issued fully paid and will rank *pari passu* with the Ordinary Shares already in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the issue of the relevant new Ordinary Shares).

The Placing Programme will be suspended at any time when the Company is unable to issue new Ordinary Shares pursuant to the Placing Programme under any statutory provision or other regulation applicable to the Company or otherwise at the Directors' discretion. The Placing Programme may resume when such condition ceases to exist.

As the Placing Programme has not been underwritten, the maximum number of new Ordinary Shares available under the Placing Programme should not be taken as an indication of the final number of new Ordinary Shares that will be issued. Therefore, the number of new Ordinary Shares actually issued pursuant to the Placing Programme may be less than the maximum number available under it.

## Dealings and Settlement

Applications will be made to the UK Listing Authority for the new Ordinary Shares issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to the London Stock Exchange for such new Ordinary Shares to be admitted to trading on its Main Market.

Unless the Ordinary Shares issued pursuant to the Placing Programme are issued under a block listing facility, such shares will be issued conditionally on Admission of those shares occurring. It is anticipated that dealings in new Ordinary Shares issued pursuant to the Placing Programme under a block listing facility will commence three Business Days after their issue and that, in all other cases, dealings in the new Ordinary Shares issued pursuant to the Placing Programme will commence not later than four Business Days after their conditional issue.

Whilst it is expected that all new Ordinary Shares issued pursuant to the Placing Programme will be issued in uncertificated form and credited to the relevant CREST accounts on a delivery versus payment basis on the date on which dealings in such shares commence on the Main Market, if any new Ordinary Shares are issued in certificated form it is expected that share certificates will be despatched 10 Business Days after the relevant issue date. Temporary

documents of title will not be issued pending the despatch of any definitive certificates for new Ordinary Shares issued in certificated form and, pending such despatch, transfers of new Ordinary Shares in certificated form will be certified against the Company's register of members. Dealings in new Ordinary Shares in advance of the crediting of the relevant CREST accounts or the issue of certificates will be at the risk of the persons concerned.

## Conditions of the Placing Programme

Each issue of new Ordinary Shares pursuant to the Placing Programme will be conditional on:

- Shareholder authority for the issue of such new Ordinary Shares on a non-pre-emptive basis being in place;
- the Placing Price being not less than the higher of:
  - the aggregate of (i) the estimated prevailing NAV per Ordinary Share (cum-income) at the time the proposed issue is agreed and (ii) the Issue Costs per new Ordinary Share; and
  - 90 per cent. of the middle market price of the Ordinary Shares at the time the proposed issue is agreed;and not higher than the best offer price per Ordinary Share at the time the proposed issue is agreed; and
- Admission of such new Ordinary Shares (unless the new Ordinary Shares concerned have been issued under a block listing facility).

In circumstances in which any of the conditions referred to above are not fully met, the relevant issue of Ordinary Shares pursuant to the Placing Programme will not take place.

## Overseas Investors

The availability of new Ordinary Shares pursuant to the Placing Programme to persons not resident in, or who are outside, the United Kingdom may be affected by the laws or regulatory requirements of relevant jurisdictions. Persons not resident in, or who are outside, the United Kingdom and who wish to acquire new Ordinary Shares pursuant to the Placing Programme should read the section headed "Selling Restrictions" on pages 27 to 30 of this Prospectus. **Investors who are in any doubt as to their position are strongly advised to consult their own professional advisers.**

## Money Laundering

Pursuant to anti-money laundering laws and regulations with which the Company must comply, the Company and its agents, Cantor Fitzgerald or the Registrar, may require evidence of the identity of each investor in connection with any application for new Ordinary Shares, including further identification of any applicant, before any new Ordinary Shares may be issued to that applicant.

## ISA, SIPP and SSAS Status of the New Ordinary Shares

New Ordinary Shares acquired pursuant to the Placing Programme are not eligible for inclusion in an ISA (but may be eligible for inclusion in an ISA if subsequently acquired through the market).

New Ordinary Shares will be eligible for inclusion in a SIPP or SSAS irrespective of whether they are acquired pursuant to the Placing Programme or subsequently in the market.

## PART 3

### INVESTMENT PORTFOLIO

#### 1. Introduction

The information in this Part 3, which provides a comprehensive and meaningful analysis of the Investment Portfolio as at the date of this Prospectus, is based on the unaudited valuation of the Company's assets at the close of business on 24 January 2014.

#### 2. Overview of the Investment Portfolio

At the close of business on 24 January 2014, the Investment Portfolio comprised 136 investments with an aggregate value of £161.9 million. In addition, the Company had cash balances of £0.8 million.

The following tables analyse the Investment Portfolio at the close of business on 24 January 2014 by asset class, quotation, currency, geographical location and sector.

<i>Asset Class</i>	<i>Value (£'000)</i>	<i>% of Company's Total Investments</i>
Bonds	122,771	75.8
Preference shares	19,515	12.1
Equity shares	9,921	6.1
Convertibles	9,700	6.0
<b>Total</b>	<b>161,907</b>	<b>100.0</b>

<i>Quotation</i>	<i>Value (£'000)</i>	<i>% of Investment Portfolio</i>
Listed/quoted on a recognised investment exchange	159,005	98.2
Unquoted but convertible into a security listed/quoted on a recognised exchange at any time at the option of the Company	1,084	0.7
Other unquoted	1,818	1.1
<b>Total</b>	<b>161,907</b>	<b>100.0</b>

<i>Currency</i>	<i>Value (£'000)</i>	<i>% of Investment Portfolio</i>
Sterling	99,031	61.2
US dollar	33,131	20.4
Australian dollar	8,831	5.5
Euro	9,732	6.0
Swedish krona	5,887	3.7
Norwegian krone	3,294	2.0
Canadian dollar	1,837	1.1
Swiss franc	164	0.1
<b>Total</b>	<b>161,907</b>	<b>100.0</b>

<i>Geographical Location</i>	<i>Value (£'000)</i>	<i>% of Investment Portfolio</i>
UK	106,518	65.8
North America	31,794	19.6
Continental Europe	15,665	9.7
Australia	7,930	4.9
<b>Total</b>	<b>161,907</b>	<b>100.0</b>

<i>Sector</i>	<i>Value (£'000)</i>	<i>% of Investment Portfolio</i>
Financials	70,178	43.3
Oil and gas	20,545	12.7
Industrials	19,215	11.9
Consumer goods	16,735	10.3
Basic materials	11,685	7.2
Consumer services	9,691	6.0
Telecommunications	8,963	5.5
Healthcare	2,399	1.5
Utilities	2,382	1.5
Technology	114	0.1
<b>Total</b>	<b>161,907</b>	<b>100.0</b>

### 3. 25 Largest Investments

At the close of business on 24 January 2014, the Company's 23 largest investments by value, which together represented more than 50 per cent. of the Company's unaudited total assets at that date, were as set out in the following table.

<i>Investee Company</i>	<i>Country of Incorporation</i>	<i>Nature of Investment<sup>4</sup></i>	<i>Sector</i>	<i>Market Value (£'000)</i>	<i>Yield<sup>5</sup> (%)</i>	<i>% of Investment Portfolio</i>
Phoenix Life 7.25% 25/03/2021	UK	FRN	Financials	5,395	7.5	3.3
Brit Insurance 6.625% 09/12/2030	UK	Bond	Financials	4,948	6.8	3.1
REA Finance 9.5% 31/12/2017	UK	Bond	Consumer goods	4,854	9.1	3.0
Cable & Wireless 8.625% 25/03/2019	UK	Bond	Telecomm- unications	4,600	7.5	2.8
Balfour Beatty 10.75%	UK	CCP	Industrials	4,563	8.3	2.8

<sup>4</sup> "CCP" means convertible cumulative preference shares "FRN" means floating rate notes.

<sup>5</sup> Annual income divided by market price as at the close of business on 24 January 2014.

<i>Investee Company</i>	<i>Country of Incorporation</i>	<i>Nature of Investment<sup>6</sup></i>	<i>Sector</i>	<i>Market Value (£'000)</i>	<i>Yield<sup>7</sup> (%)</i>	<i>% of Investment Portfolio</i>
General Accident 8.875%	UK	CCP	Financials	4,318	6.6	2.7
Antares Energy 10% 30/10/2023	Australia	Bond	Oil and gas	4,187	10.6	2.6
British Airways Finance 6.75% 12/11/2011	UK	CCP	Industrials	3,918	0.3	2.4
Moto Finance 10.25% 15/03/2017	UK	Bond	Consumer goods	3,895	9.5	2.4
Investec Bank 9.625% 17/02/2022	UK	Bond	Financials	3,351	5.7	2.1
NewRiver Retail	Guernsey	Equity	Financials	3,313	4.2	2.0
House of Fraser 8.875% 15/08/2018	UK	Bond	Consumer services	3,256	8.1	2.0
Iona Energy 9.5% 27/09/2018	Canada	Bond	Oil and gas	3,131	6.2	1.9
Raven Russia 12% PREF Shs	Guernsey	CCP	Financials	3,122	7.5	1.9
AA PIK 9.5% 07/11/2019	UK	Bond	Financials	3,083	10.2	1.9
Unique Pub Company 7.395% 28/03/2024	UK	Bond	Consumer Services	3,069	6.6	1.9
Arrow Global Finance 7.875% 01/03/2020	UK	Bond	Financials	2,933	6.5	1.8
Europcar Groupe 9.375% 15/04/2018	France	Bond	Industrials	2,826	9.0	1.7
Falcon Germany 9% 15/07/2020	Germany	Bond	Consumer goods	2,751	8.7	1.7
Ocean Rig UDW 9.5% 27/04/2016	Marshall Islands	Bond	Oil and gas	2,566	9.5	1.6
Arqiva Broadcast Finance 9.5% 31/03/2020	UK	Bond	Telecommunications	2,499	8.5	1.5
Bristol & West 8.125%	UK	CCP	Financials	2,453	7.4	1.5
AA Bond Co 9.5% 31/07/2019	UK	Bond	Financials	2,198	8.1	1.4
Total				<u>81,229</u>		<u>50.2</u>

<sup>6</sup> "CCP" means convertible cumulative preference shares "FRN" means floating rate notes.

<sup>7</sup> Annual income divided by market price as at the close of business on 24 January 2014.

## PART 4

### FINANCIAL INFORMATION

#### 1. Introduction

- 1.1 The Company's auditors are KPMG Audit Plc, 20 Castle Terrace, Edinburgh EH1 2EG, which is a recognised auditor and a member of the Institute of Chartered Accountants in England and Wales.
- 1.2 The Company's financial statements are prepared in accordance with IFRS and, where consistent with IFRS, the presentational guidance set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the AIC in January 2009. Accordingly, in order to provide further useful information with respect to the activities of the Company and in accordance with the AIC's guidance, the Company shows revenue and capital columns in its statement of comprehensive income.
- 1.3 The Company's annual financial statements are prepared to 30 June in each year and the Company's annual report and accounts will typically be sent to Shareholders within five months of its financial year-end. The Company also publishes an unaudited interim report covering the six months to 31 December each year, typically within two months of that date.
- 1.4 Save for the historical information of the Company for the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013 set out, or incorporated by reference, in paragraph 2 of this Part 4, none of the information in this Prospectus has been audited. Unless otherwise indicated, all unaudited financial information relating to the Company contained in this Prospectus has been extracted, without material adjustment, from the Company's internal accounting records, which are maintained by the UK Administrator on the Company's behalf on a basis consistent with the Company's accounting policies.

#### 2. Published Annual Reports and Accounts for the Financial Years ended 30 June 2011, 30 June 2012 and 30 June 2013

##### 2.1 **Introduction**

Unless otherwise indicated, the historical information of the Company for the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013 set out, or incorporated by reference, in this paragraph 2 was audited by KPMG Audit LLP. In respect of the Company's audited financial statements for those years (comprising, in respect of each year, a statement of comprehensive income, a balance sheet, a statement of changes in equity, a cash flow statement and related notes), KPMG Audit LLP gave unqualified opinions that such financial statements:

- (i) gave a true and fair view of the state of the Company's affairs at the end of the relevant financial year and of its profit for the financial year then ended;
- (ii) had been properly prepared in accordance with IFRS; and
- (ii) had been prepared in accordance with the requirements of Jersey Company Law.

##### 2.2 **Selected Financial Information**

Set out in the following table is a summary of the Company's financial results for the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013, which (save for the information under the sub-heading "General" in the following table, which is unaudited and has been extracted, without material adjustment, from the Company's internal accounting records) has been extracted without material adjustment from the Company's audited financial statements for that financial period.

	<i>As at 30 June</i>		
<i>Capital</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Investments at fair value (£'000)	130,773	127,544	157,714
Current assets (£'000)	3,997	4,794	4,695
Current liabilities (£'000)	(14,157)	(8,189)	(14,560)
Net assets (£'000)	120,613	124,149	147,859
NAV per Ordinary Share (p)	59.30	56.36	60.53
Number of Ordinary Shares in issue	203,404,249	220,267,581	244,239,339
	<i>Year Ended 30 June</i>		
<i>Revenue</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Investment income (£'000)	10,030	11,916	14,176
Total expenses charged to revenue (£'000)	(1,117)	(1,240)	(1,434)
Profit before finance costs and tax (£'000)	18,247	10,676	12,742
Profit before tax (£'000)	18,061	10,519	12,456
Profit for the year (£'000)	17,992	19,456	12,386
Transfer to revenue reserve (£'000)	7,192	2,105	3,206
Earnings per Ordinary Share (p)	9.65	4.89	5.42
Dividends per Ordinary Share			
Recognised in year (p)	3.75	3.96	4.07
Paid in respect of year (p)	3.87	4.01	4.10
Weighted average number of Ordinary Shares in issue throughout period	186,387,820	213,909,275	228,639,498
	<i>Year Ended 30 June</i>		
<i>General<sup>8</sup></i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Dividend cover (x)	1.21	1.22	1.32
Gearing (%) <sup>9</sup>	9	7	10
Total expense ratio (%) <sup>10</sup>	1.2	1.3	1.2

### 2.3 **Historical Financial Information Incorporated by Reference into this Prospectus**

The list in the following table is intended to enable investors to identify easily specific items of historical financial information relating to the Company for the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013 that are incorporated by reference into this Prospectus. The page numbers in the following table refer to the relevant pages of the Company's annual reports and accounts.

<sup>8</sup> This information is unaudited.

<sup>9</sup> Gearing = (total assets less other payables) ÷ Shareholders' funds.

<sup>10</sup> Ratio of expenses as a percentage of average Shareholders' funds calculated in accordance with the then industry standard Lipper Fitzrovia method.

<i>Nature of Information</i>	<i>Annual Report and Accounts for Year Ended 30 June</i>		
	<i>2011 Page No(s)</i>	<i>2012 Page No(s)</i>	<i>2013 Page No(s)</i>
Statement of comprehensive income	22	22	22
Balance sheet	23	23	23
Statement of changes in equity	24	24	24
Cash flow statement	25	25	25
Notes to the financial statements (including accounting policies)	26-38	26-38	26-39
Independent auditors' report	21	21	21

#### 2.4 **Operating and Financial Review Incorporated by Reference into this Prospectus**

The published annual reports and accounts of the Company for the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013 included descriptions of the Company's financial condition (in both capital and revenue terms), changes in its financial condition and details of the Investment Portfolio for that period and the list in the following table is intended to enable investors to identify easily those specific items of information regarding such matters which are incorporated by reference into this Prospectus. The page numbers in the following table refer to the relevant pages of the Company's annual reports and accounts.

<i>Nature of Information</i>	<i>Annual Report and Accounts for Year Ended 30 June</i>		
	<i>2011 Page No(s)</i>	<i>2012 Page No(s)</i>	<i>2013 Page No(s)</i>
Financial highlights	2	2	2
Performance summary	3	3	3
Investment Portfolio	8-9	8-9	8-9
Classification of investments	10	10	10
Chairman's statement	5-6	5	5
Manager's review	6-7	6-7	6-7
Directors' report (including business review)	11-18	11-18	11-18
Directors' remuneration report	19-20	19-20	19-20

Investors should note that statements regarding current circumstances and forward-looking statements made in the Company's annual report and accounts referred to in the table above speak as at the date of the annual report and accounts and, therefore, such statements do not necessarily remain up-to-date at the date of this Prospectus. Information included in this Prospectus, to the extent applicable, automatically updates and supersedes information included in the annual reports and accounts incorporated by reference and referred to in the table above.

#### 2.5 **Availability of Annual Reports and Accounts for Inspection**

Copies of the published annual reports and accounts of the Company for the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013 (as filed with the UK Listing Authority) are available for inspection at:

- (i) the addresses set out in paragraph 10 of Part 6 of this Prospectus; and
- (ii) at the Company's website, which is located at [www.ncim.co.uk](http://www.ncim.co.uk).

The information in such annual reports and accounts not incorporated by reference into paragraphs 2.3 and 2.4 of this Part 4 is either covered elsewhere in this Prospectus or is not relevant for the purposes of prospective investors considering an investment in new Ordinary Shares to be issued pursuant to the Placing Programme.

### 3. Unaudited Capitalisation and Indebtedness

3.1 The following table, which has been extracted from the Company's internal accounting records without material adjustment, shows the unaudited capitalisation of the Company at 30 November 2013.

<i>Shareholders' Equity</i>	<i>£'000</i>
Share capital	81,890
Legal reserve <sup>11</sup>	50,385
Other reserves <sup>12</sup>	-
Total	<u>132,275</u>

3.2 The following table, which has been extracted from the Company's internal accounting records without material adjustment, shows the unaudited indebtedness of the Company (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) at 30 November 2013.

	<i>£'000</i>
<i>Total Current Debt</i>	
Guaranteed	-
Secured	-
Unguaranteed/unsecured	14,555
Total	<u>14,555</u>
<i>Total Non-current Debt</i>	
Guaranteed	-
Secured	-
Unguaranteed/unsecured	-
Total	<u>-</u>

<sup>11</sup> Legal reserve does not include profit and loss reserve.

<sup>12</sup> Other reserves do not include profit and loss reserve, profit and loss account or capital gain/(loss) reserves.

- 3.3 The following table, which has been extracted from the Company's internal accounting records without material adjustment, shows the Company's unaudited net indebtedness at 30 November 2013.

	£'000
A. Cash	57
B. Cash equivalents	424
C. Trading securities	159,489
D. Liquidity (A + B + C)	<u>159,970</u>
E. Current financial receivable	<u>-</u>
F. Current bank debt	14,555
G. Current portion of non-current debt	-
H. Other current financial debt	-
I. Current financial debt (F + G + H)	<u>14,555</u>
J. Net current financial indebtedness (I - E - D)	<u>(145,415)</u>
K. Non-current bank loans	-
L. Bonds issued	-
M. Other non-current loans	-
N. Non-current financial indebtedness (K + L + M)	<u>-</u>
O. Net financial indebtedness (J + N)	<u>(145,415)</u>

#### 4. Related Party Transactions

- 4.1 The following are considered related parties of the Company for the purposes of IFRS:

- (i) the Board; and
- (ii) CQS/New City Investment Managers.

Mr G D Ross is a director of both the Jersey Administrator and the UK Administrator, which receive fees from the Company as disclosed in paragraphs 7.2.1 and 7.2.2 of Part 6 of this Prospectus (the aggregated fees payable to the Jersey Administrator and the UK Administrator for each of the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013 are disclosed in note 4 to the Company's audited financial statements in respect of each of those years, which has been incorporated by reference into this Prospectus by paragraph 2.3 of this Part 4). There were no other transactions with any members of the Board other than their aggregated remuneration for services as Directors as disclosed in the Directors' remuneration reports, which have been incorporated by reference into this Prospectus by paragraph 2.4 of this Part 4.

Details of the fee arrangement with CQS/New City Investment Managers are disclosed in paragraph 7.1.1 of Part 6 of this Prospectus (the aggregated fees payable to CQS/New City Investment Managers for each of the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013 are disclosed in note 3 to the Company's audited financial statements in respect of each of those years, which has been incorporated by reference into this Prospectus by paragraph 2.3 of this Part 4).

All transactions with related parties are carried out at an arm's length basis.

- 4.2 Save as disclosed in paragraph 4.1 of this Part 4, the Company did not enter into any related party transactions (which, for these purposes, are those set out in the Standard adopted according to the regulation (EC) No 1606/2002) at any time during any of the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013 or the period from 1 July 2013 to 24 January 2014.

## 5. Significant Change

There has been no significant change in the financial or trading position of the Company since 30 June 2013 (being the end of the last financial period of the Company for which audited financial information has been published).

## 6. Working Capital

The Company is of the opinion that it has sufficient working capital for its present requirements (that is, for at least the 12 months from the date of this Prospectus).

## 7. Annual Operating Expenses

In addition to investment management and administration fees (details of which are set out under the headings "Investment Management" and "Administration" in Part 1 of this Prospectus), the Company pays all other fees and expenses incurred in the operation of its business, including, without limitation:

- (i) brokerage and other transaction charges;
- (ii) fees and expenses for corporate broking, custodial, registrar, legal, audit, tax and other professional services;
- (iii) the fees and out-of-pocket expenses of the Directors and the cost of Directors' insurance;
- (iv) any borrowing costs;
- (v) the ongoing costs of maintaining the listing of the Ordinary Shares and their trading on the Main Market;
- (vi) promotional and marketing fees and expenses (including membership of any industry bodies and marketing initiatives approved by the Board);
- (vii) costs of printing the Company's financial reports and posting them to Shareholders; and
- (viii) costs of holding general meetings of the Company.

The ongoing charges of the Company (including management and administration fees) for the financial year ended 30 June 2013 were 1.2 per cent. of the average Shareholders' funds over that year.

## 8. Expense Accounting

- 8.1 Expenses that are incidental to the Company's acquisition of an investment are included within the cost of the investment, whilst expenses which are incidental to the Company's disposal of an investment are deducted from the disposal proceeds of the investment and, therefore, are charged to the Company's capital reserve. Expenses incurred by the Company in connection with the maintenance or enhancement of the value of an investment or for the long-term benefit of the Company are charged to the capital column in the statement of comprehensive income in its financial statements.
- 8.2 25 per cent. of the investment management fees and any finance costs payable by the Company are allocated to the capital column, and the balance to the revenue column, in the statement of comprehensive income in the Company's financial statements. All other operational costs payable by the Company are allocated solely to the revenue column in the statement of comprehensive income in its financial statements.

## 9. NAV Calculations

- 9.1 The unaudited NAV per Ordinary Share is calculated as at the close of business on each business day by the Administrators and announced through a Regulatory Information Service on the following business day. Such unaudited NAVs are calculated on the same basis as the calculation of the NAV per Ordinary Share for the purpose of the Company's published financial statements and, accordingly, are calculated in accordance with IFRS

and, where consistent with IFRS, the AIC's guidelines and otherwise in accordance with the accounting policies adopted by the Directors from time to time.

9.2 For the purpose of the Company's financial statements, the NAV per Ordinary Share is calculated in accordance with IFRS and, where consistent with IFRS, the AIC's guidelines. Accordingly, NAV calculations are prepared on the following basis:

- (i) securities listed, traded or quoted on a stock exchange or over-the-counter market are valued by reference to the bid price on such stock exchange or market as at the close of business of the relevant exchange or market on the relevant valuation day (or, if the relevant exchange or market is not open for business on the relevant valuation day, the securities are valued as at the last day on which the relevant exchange or market was open for business) as shown in the relevant exchange's or market's recognised method of publication of prices for such securities (and where a security is listed, traded or quoted on more than one stock exchange or over-the-counter market, the Board may, in its absolute discretion, select any one of such exchanges or markets);
- (ii) any securities that are not listed, traded or quoted on a stock exchange or over-the-counter market are valued at fair value as determined by the Board using appropriate valuation methodologies such as earnings multiples, recent transactions and net assets;
- (iv) derivative instruments are valued at fair value using appropriate valuation methodologies as determined by the Board;
- (v) cash and bank deposits are valued by reference to their face value;
- (vi) assets and liabilities in currencies other than pounds sterling (being the Company's functional currency) are translated into pounds sterling at the rates of exchange applying on the relevant valuation date; and
- (vii) notwithstanding the above, the Directors shall be entitled, at their absolute discretion, to apply a method of valuing any asset different from that described in this paragraph 9.2 if such method would, in their opinion, better reflect the fair value of such asset.

9.3 The calculation of the NAV per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making any such calculation will be announced by the Company through a Regulatory Information Service as soon as practicable.

## 10. Currency Hedging

The Company's functional currency is pounds sterling and dividends will be payable in pounds sterling. Due to its investment focus, a significant proportion of the Company's investments and revenues are denominated and quoted or earned in currencies other than pounds sterling. The Company may, where appropriate and economic to do so, employ a policy of hedging against fluctuations in the rate of exchange between pounds sterling and other currencies in which its investments are denominated, although it is not the Company's policy to hedge the foreign currency risk on a continuing basis.

## PART 5

### TAXATION

The information below, which relates only to United Kingdom and Jersey taxation, summarises the advice received by the Board and is applicable to the Company and (except in so far as express reference is made to the treatment of other persons) to persons who are resident in (and only in) the United Kingdom (in the case of section 1 of this Part 5) or Jersey (in the case of section 2 of this Part 5) for taxation purposes, who hold absolute beneficial title to their Ordinary Shares as an investment and have acquired their Ordinary Shares otherwise than by virtue of an office or employment. It is based on current United Kingdom and Jersey revenue law and published practice, any of which law or practice is, in principle, subject to any subsequent changes therein (potentially with retrospective effect). The statements in this Part 5 may not apply to certain Shareholders, such as dealers in securities, insurance companies, collective investment schemes, operators of clearance services and issuers of depository receipts.

Shareholders and prospective Shareholders who are in any doubt as to their tax position, or who are subject to tax in a jurisdiction other than the United Kingdom or Jersey or hold their Ordinary Shares otherwise than as an investment, are strongly recommended to consult their professional adviser.

#### 1. UK Taxation

##### 1.1 **The Company**

It is the intention of the Directors to continue to conduct the affairs of the Company in such a way that the central management and control of the Company is not exercised in the United Kingdom so that it is not resident in the United Kingdom for taxation purposes. Accordingly, and provided it does not carry on any trade in the United Kingdom (whether or not through a branch, agency or permanent establishment situated there), the Company should not be liable for UK income or corporation tax other than on certain types of UK-source income.

##### 1.2 **UK-resident Shareholders**

###### 1.2.1 *UK Offshore Fund Rules*

The Company, as a closed-ended investment company with no fixed life, should not, as at the date of this Prospectus, be treated as an "offshore fund" for the purposes of United Kingdom taxation. Accordingly, the legislation introduced by the Finance Act 2009 with effect from 1 December 2009, now contained in Part 8 of the Taxation (International and Other Provisions) Act 2010, should not apply. Shareholders (other than those holding Ordinary Shares as dealing stock, who are subject to separate rules) who are resident in the United Kingdom, or who carry on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected, may, depending on their circumstances and subject as mentioned below, be liable to United Kingdom tax on chargeable gains realised on the disposal of their Ordinary Shares (which will include on any final liquidation of the Company).

###### 1.2.2 *Gains Arising on Sale or Other Disposal*

A disposal of Ordinary Shares by a Shareholder who is resident in the United Kingdom for UK tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains or capital gains, depending on the Shareholder's circumstances and subject to any available exemption or relief. For such individual Shareholders, capital gains tax at the rate of 18 per cent. (for basic rate taxpayers) and 28 per cent. (for higher and additional rate taxpayers) will be payable on any gain. Individuals may benefit from certain reliefs and allowances (including a personal annual exemption allowance, which

exempts the first £10,900 of gains from tax in the 2013/2014 tax year) depending on their circumstances. Shareholders which are bodies corporate resident in the United Kingdom for taxation purposes may, to the extent only that it does not give rise to a loss, benefit from indexation allowance which, in general terms, increases the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index.

#### 1.2.3 *Dividends*

UK-resident Shareholders will receive dividends without deduction of any Jersey tax.

An individual Shareholder resident in the United Kingdom (for tax purposes) who is a "minority shareholder" (in broad terms, a person who holds less than 10 per cent. of the class of share in relation to which the dividend is paid) should be entitled to tax credits in respect of dividends paid by the Company. The tax credit will be 10 per cent. of the aggregate of the dividend and the tax credit itself (equivalent to one-ninth of the cash dividend). UK-resident individual Shareholders, including those who hold their Ordinary Shares through an ISA, who are not liable to income tax in respect of their dividends, will not be entitled to the tax credit. The income tax charge in respect of the dividends for basic rate taxpayers will be at the rate of 10 per cent. and Shareholders who are entitled to the tax credit will have no further liability to tax on their dividends. A higher rate taxpayer will be liable to income tax on the sum of the dividend plus the tax credit (to the extent that, taking that sum as the top slice of their income, it falls above the threshold for the higher rate of income tax) at the rate of 32.5 per cent., against which they can offset the 10 per cent. tax credit, resulting in an effective tax rate of 25 per cent. An additional rate taxpayer will be liable to income tax on the sum of the dividend plus the tax credit (to the extent that, taking that sum as the top slice of their income, it falls above the threshold for the additional rate of income tax) at the rate of 37.5 per cent. against which they can offset the 10 per cent. tax credit, resulting in an effective tax rate of 30.56 per cent.

A company resident in the United Kingdom for tax purposes which is neither a small nor a micro enterprise (as defined in the Annex to Commission Recommendation 2003/361/EC of 6 May 2003) should not generally be liable to United Kingdom corporation tax on any dividend received from the Company. A Company resident in the United Kingdom for tax purposes which is either a small or a micro enterprise (as defined above) will generally be liable for United Kingdom corporation tax on the dividend at its prevailing rate of corporation tax.

#### 1.3 ***Stamp Duty and Stamp Duty Reserve Tax***

No United Kingdom stamp duty, or stamp duty reserve tax, will be payable on the issue of the new Ordinary Shares pursuant to the Placing Programme.

Regardless of whether Ordinary Shares are held in certificated or uncertificated form, United Kingdom stamp duty (at the rate of 0.5 per cent. of the amount of the value of the consideration for the transfer rounded up where necessary to the nearest £5) is payable on any instrument of transfer of Ordinary Shares executed within, or in certain cases brought into, the United Kingdom, to the extent that the consideration given for the transfer (and any larger transaction or series of transactions of which it forms part) exceeds £1,000. Provided that the Ordinary Shares are not registered in any register of the Company kept in the United Kingdom, any agreement to transfer Ordinary Shares will not be subject to United Kingdom stamp duty reserve tax.

#### 1.4 ***ISAs***

Ordinary Shares issued under the Placing Programme are not eligible for direct transfer into an ISA. Subject to applicable subscription limits, Ordinary Shares acquired in the secondary market may be eligible for inclusion in a stocks and shares ISA, although the account manager should be asked to confirm ISA eligibility. The annual ISA investment

allowance is £11,520 for the tax year 2013/2014. Up to £5,760 of that allowance can be invested as cash with one provider. The remainder of the £11,520 can be invested in a stocks and shares ISA with either the same or another provider.

Gains on, and dividends received in respect of, Ordinary Shares held within a stocks and shares ISA are exempt from capital gains tax and income tax.

#### 1.5 **SIPPs and SSASs**

Ordinary Shares (including, for the avoidance of doubt, new Ordinary Shares issued pursuant to the Placing Programme), however acquired, are permitted investments for SIPPs and SSASs.

#### 1.6 **Other United Kingdom Tax Considerations**

The attention of individuals resident in the United Kingdom is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007 under which the income accruing to the Company may be attributed to Shareholders and may (in certain circumstances) be liable to United Kingdom income tax in the hands of the Shareholder. However, the provisions do not apply if such Shareholder can satisfy HM Revenue & Customs that either:

- (i) the purpose of avoiding liability to UK taxation was not the purpose or one of the purposes of their investment in the Company; or
- (ii) the investment was a genuine commercial transaction and was not designed more than incidentally for the purpose of avoiding UK taxation.

As the Company is owned by a majority of persons resident in the United Kingdom, the legislation applying to controlled foreign companies may, subject to certain exemptions and exclusions, apply to any corporate Shareholders who are resident in the United Kingdom. Under these rules, part of any profits accruing to the Company may be attributed to such Shareholder, and may in certain circumstances be chargeable to United Kingdom corporation tax in the hands of the Shareholder. However, this will only apply if the apportionment of that Shareholder (when aggregated with persons connected or associated with them) is at least 25 per cent. of the Company's relevant profits.

In the event that the Company would be treated as "close" if it were resident in the United Kingdom, then part of any chargeable gain accruing to the Company may, subject to certain exemptions and exclusions, be attributed to a Shareholder who is resident in the United Kingdom and whose interest (when aggregated with persons connected with them) in the chargeable gains of the Company is equal or exceeds one-quarter and may (in certain circumstances) be liable to United Kingdom tax on capital gains in the hands of the Shareholder. The part attributable to the Shareholder corresponds to such Shareholder's proportionate interest in the Company.

## 2. Jersey Taxation

### 2.1 **The Company**

The Company is liable to Jersey income tax at a rate of 0 per cent. Capital gains are not subject to tax in Jersey.

On 10 December 2010, the States of Jersey adopted the Income Tax (Amendment No. 36) (Jersey) Law 2010. The legislation, which is in effect, provides an exemption from taxation for "eligible investment schemes" and, if a general rate of income tax above 0 per cent. is introduced, the Company may be able to take advantage of this exemption. An annual fee of £500 is payable as an application fee.

The States of Jersey introduced a Goods and Services Tax ("**GST**") with effect from 6 May 2008. The Company has opted out of the GST regime by applying to become an "international services entity" ("**ISE**") as provided by the Goods and Services Tax (Jersey) Law 2007. ISE status is obtained upon meeting certain requirements and paying a prescribed annual fee. As an ISE, the Company is exempted both from registering for GST and from accounting for GST on supplies made and received in Jersey solely for the purpose of its business.

## 2.2 **Shareholders**

Any Shareholders who are resident for tax purposes in Jersey will incur income tax on any dividends paid on the Ordinary Shares. The attention of Jersey resident investors is also drawn to Article 134A of the Income Tax (Jersey) Law 1961, as amended, the effect of which may be to render such a resident liable to income tax on any undistributed income or profits of the Company.

Jersey does not tax capital gains and consequently no Jersey tax will be levied on the disposal of Ordinary Shares by Shareholders.

Jersey does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover, nor are there estate duties.

## 2.3 **Stamp Duty**

No stamp duty is levied on the transfer *inter vivos*, exchange or repurchase of Ordinary Shares but there is a stamp duty payable when Jersey grants of probate and letters of administration are required. Stamp duty of up to 0.75 per cent. is payable on the grant of probate or letters of administration in Jersey in respect of a deceased natural person (i) who dies domiciled in Jersey, on the value of the entire estate (including any securities or interests therein) and (ii) otherwise, on the value of so much of the estate (including any securities therein), if any, as is situated in Jersey.

## PART 6

### ADDITIONAL INFORMATION

1. Incorporation, Company Structure and Conduct of Business
  - 1.1 The Company was incorporated with limited liability in Jersey as a closed-ended investment company under Jersey Company Law with registered number 95691 on 17 January 2007. The Company, which is domiciled in Jersey, operates under Jersey Company Law and orders made thereunder. In addition, the Company constitutes and is regulated as a collective investment fund under Jersey Funds Law and orders made thereunder. The Company is a certified fund for the purposes of Article 8 of Jersey Funds Law (the JFSC is protected by Jersey Funds Law against liability arising from the discharge of its functions under that law) and is an alternative investment fund for the purposes of the AIFM Directive. The Company is also subject to the Jersey Funds Codes, the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules. The Company is not regulated by the FCA or any other equivalent regulator in the European Economic Area.
  - 1.2 The Company has its registered office and principal place of business at Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW. The Company's telephone number at its registered office is +44 (0) 1534 825 200.
  - 1.3 Under Jersey Company Law, the capacity of a Jersey company is not limited by anything contained in its memorandum or articles of association. Accordingly, the memorandum of association of the Company does not contain an objects clause. However, the Company carries on the business of an investment holding company.
  - 1.4 There were no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months immediately preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.
  - 1.5 As required by the Listing Rules, the Company invests and manages its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy, which is set out under the heading "Investment Policy" in Part 1 of this Prospectus. The Company does not conduct, and will not conduct, any trading activity which is significant in the context of the Company. Save as set out in the Listing Rules or the Company's published investment policy, there are no investment restrictions imposed on the Company by statute or otherwise.
2. Share Capital
  - 2.1 The Company is a no par value company and, accordingly, none of the Ordinary Shares have a par value. Furthermore, the Company does not have an authorised share capital.
  - 2.2 As at 1 July 2010 (the first date in the period covered by the historical financial information on the Company incorporated by reference into this Prospectus by paragraph 2.3 of Part 4 of this Prospectus) there were 153,303,028 Ordinary Shares in issue, all of which were fully paid. During the period commencing on 1 July 2010 and ending on 30 June 2013 (the last date in the period covered by the historical financial information on the Company incorporated by reference into this Prospectus by paragraph 2.3 of Part 4 of this Prospectus), the Company issued new Ordinary Shares for cash, in each case, at a price representing a premium to the estimated prevailing NAV per Ordinary Share (cum-income) at the time the relevant issue was agreed, as follows:

- (i) on 13 September 2010, 15,330,302 Ordinary Shares at 56.33p per share pursuant to a placing, resulting in aggregate gross proceeds (before issue costs) of £8.6 million;
- (ii) on 23 November 2010, 34,770,919 Ordinary Shares at 57.7p per share pursuant to a placing and offer for subscription, resulting in aggregate gross proceeds (before issue costs) of £20.1 million;
- (iii) on 15 November 2011, 16,863,332 Ordinary Shares at 55.05p per share pursuant to a placing, resulting in aggregate gross proceeds (before issue costs) of £9.3 million;
- (iv) on 13 February 2013, 19,450,000 Ordinary Shares at 64.25p per share pursuant to a placing, resulting in aggregate gross proceeds (before issue costs) of £12.5 million; and
- (v) on 8 March 2013, 4,521,758 Ordinary Shares at 65.99p per share pursuant to a tap issue, resulting in aggregate gross proceeds (before issue costs) of £3.0 million.

As at 30 June 2013 and as at the date of this Prospectus, there were 244,239,339 Ordinary Shares in issue, all of which were fully paid.

2.3 At the date of this Prospectus:

- (i) the Company had no shares which did not represent capital;
- (ii) no shares in the Company were held by or on behalf of the Company, in treasury or otherwise;
- (iii) no convertible securities, exchangeable securities or securities with subscription rights had been issued by the Company;
- (iv) save in connection with the Placing Programme, there were no acquisition rights and/or obligations over any of the Company's unissued capital and no undertakings to increase the Company's capital; and
- (v) no share or loan capital of the Company was under option or had been agreed, conditionally or unconditionally, to be put under option.

2.4 Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 5 December 2013, the Company was authorised, in accordance with the Articles, to issue equity securities for cash on a non-pre-emptive basis up to a maximum amount of 61,059,834 equity shares (equivalent to 25 per cent. of the Ordinary Shares in issue at 5 December 2013 and at the date of this Prospectus), provided that:

- (i) such authority shall expire (unless and to the extent previously revoked, varied, or renewed by the Company in general meeting) at the conclusion of the annual general meeting of the Company to be held in 2014; and
- (ii) the Company may, before such expiry, make offers or agreements which would or might require equity securities to be issued after such expiry and the Company may issue equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.

2.5 Pursuant to a special resolution passed at the annual general meeting of the Company held on 5 December 2013, the Company was authorised, in accordance with the Articles, to make market purchases of Ordinary Shares, and, at its discretion, to cancel any such Ordinary Shares or hold them as treasury shares, provided that:

- (i) the maximum number of Ordinary Shares authorised to be purchased was 36,611,477 (equivalent to 14.99 per cent. of the Ordinary Shares in issue at 5 December 2013 and at the date of this Prospectus);
- (ii) the maximum price which may be paid for an Ordinary Share will be an amount equal to the higher of:
  - (a) 105 per cent. of the average of the middle market quotations for an Ordinary Share taken from the London Stock Exchange's Daily Official List for the five

Business Days immediately preceding the date on which the Ordinary Share is purchased; and

- (b) the higher of (1) the price of the last independent trade and (2) the highest current independent bid for Ordinary Shares on the Main Market;
- (iii) the minimum price which may be paid for an Ordinary Share will be 1p;
- (iv) such authority shall expire at the earlier of (a) the conclusion of the annual general meeting of the Company to be held in 2014 and (b) 5 March 2015; and
- (v) the Company may, before such expiry, make a contract to purchase Ordinary Shares which would or might be executed wholly or partly after such expiry and the Company may purchase Ordinary Shares in pursuance of any such contract as if such expiry had not occurred.

The Company may fund any purchase of Ordinary Shares out of its unrealised capital or revenue profits less its capital or revenue losses, whether realised or unrealised.

- 2.6 Other than issues of Ordinary Shares pursuant to the Placing Programme, the Company has no present intention to issue any further Ordinary Shares.
- 2.7 The market makers in the Ordinary Shares include Cantor Fitzgerald.

### 3. Articles of Association

The Articles contain provisions, *inter alia*, to the following effect:

#### 3.1 **Issues of Shares**

- 3.1.1 Subject to the provisions of the Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share in the Company (a "**share**") may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the Company may from time to time by ordinary resolution determine.
- 3.1.2 Subject to the provisions of the Articles, the unissued shares shall be at the disposal of the Directors, and they may allot or otherwise dispose of them to such persons, at such times and generally on such terms and conditions as they think proper provided that no such issue shall be made on terms which materially prejudice the interests of any existing holders in relation to their holdings of shares in the Company. Furthermore, the Articles prohibit the issue of shares at a discount to the NAV per share without shareholder approval (in the form of an ordinary resolution).
- 3.1.3 The Company shall not, without the previous sanction of an ordinary resolution of the holders of the Ordinary Shares passed at a general meeting of such holders convened and held in accordance with the Articles, issue further shares or securities, or rights to subscribe for or to convert or exchange any securities into shares or securities, or reclassify any shares save that there may be issued at any time shares or rights to subscribe for or to convert or exchange into shares, and shares may be reclassified as such other shares, if the Relevant Share Test is satisfied. For this purpose, the "**Relevant Share Test**" is that the Board shall be satisfied on the basis of the most recently available information that, in its opinion, such shares or rights are to be issued or reclassified at prices such that the NAV attributable to an Ordinary Share (the "**Relevant Share**") immediately after such issue, exercise or reclassification is greater than the NAV attributable to such a share immediately prior to such issue, exercise or reclassification, in each case assuming such shares or rights to be issued, exercised or reclassified as at the date prior to that on which such issue, exercise or reclassification is finally approved by the Directors.

3.1.4 The Company shall not, without the previous sanction of a special resolution of the Company passed at a general meeting convened and held in accordance with the provisions of the Articles, issue any further shares (other than shares which neither as respects dividends nor as respects capital carry any right to participate beyond a specified amount in a distribution), or rights to subscribe for, or to convert or exchange into, such shares ("**equity securities**") for cash without first offering the same in proportion to their existing holdings to:

- (i) existing holders of that class of equity securities; and
- (ii) holders of other equity securities who are entitled to be offered them;

provided that this shall not apply:

- (a) where the Company is undertaking a rights issue or open offer;
- (b) with respect to equity securities representing fractional entitlements; or
- (c) to equity securities which the Company considers necessary or expedient to exclude from the offer on account of the laws or regulatory requirements of a territory other than Jersey.

Any offer made in accordance with this paragraph 3.1.4 shall be made by notice specifying the number of equity securities offered, and limiting a period (not being less than 14 days) within which the offer, if not accepted, will be deemed to be declined. Any equity securities not accepted pursuant to such offer or not capable of being offered as aforesaid except by way of fractions shall be allotted by the Directors generally on such terms as they think fit, provided that, in the case of shares not accepted as aforesaid, such shares shall not be disposed of on terms which are more favourable to the subscribers thereof than the terms on which they were offered to the members. A special resolution passed for the purposes of this paragraph 3.1.4:

- (1) must state the maximum amount of shares to which it relates (being, in the case of an issue of equity securities comprising rights to subscribe for, or to convert or exchange into, shares, the number of shares that may be issued pursuant to those rights);
- (2) must specify the date on which it will expire, which must not be more than five years from the date on which the special resolution is passed; and
- (3) may, by special resolution of the Company, be renewed for a further period not exceeding five years or be varied or revoked at any time (provided that any such special resolution must state, or restate, the maximum amount of shares to which it relates or, as the case may be, the remaining amount to which it relates and specify the date on which the renewed resolution will expire).

Notwithstanding that any such special resolution has expired, the Company may issue equity securities in pursuance of an offer or agreement previously made by the Company if the special resolution enabled the Company to make an offer or agreement that would or might require equity securities to be issued after it expired.

3.1.5 Subject to Jersey Company Law, the Board may issue shares in certificated form and/or in uncertificated form in its absolute discretion.

### 3.2 **Voting Rights**

Subject to paragraph 3.7 of this Part 6 and to any special rights or restrictions for the time being attached to any class of shares, on a show of hands every registered holder of shares (a "**shareholder**") who is present in person (or, being a corporation, by representative) shall have one vote. On a poll every shareholder present in person (or, being a corporation, by representative) or by proxy shall be entitled to one vote in respect of each share held by them. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority shall be determined by the

order in which the names stand in the register of members in respect of the relevant shares.

### **3.3 Dividends and Other Distributions**

- 3.3.1 Subject to the rights of persons entitled to shares with special rights as to dividends, the Company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Directors, but the Company in general meeting may declare a smaller dividend and the declaration of the Directors as to the profits shall be conclusive.
- 3.3.2 No dividend shall be paid otherwise than out of the profits of the business of the Company available for dividend under Jersey Company Law, provided that, if so required by the Listing Rules:
- (i) dividends may not be paid unless they are covered by income received from underlying investments; and
  - (ii) the distribution of surpluses, as dividend, arising from the realisation of investments shall be prohibited.
- 3.3.3 The Directors may, if they think fit, from time to time pay the members such interim dividends as appear to the Directors to be justified by the profits of the Company.
- 3.3.4 All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. No unclaimed dividend shall bear interest against the Company. All dividends unclaimed on the earlier of (i) 12 years after having been declared or become due for payment and (ii) the date on which the Company is wound up shall be forfeited and shall revert to the Company.
- 3.3.5 The Directors are also empowered to set aside out of profits of the Company such sums as they think proper as reserves before recommending any dividend. The Directors may also carry forward any profits which they think prudent not to distribute.
- 3.3.6 Any general meeting declaring a dividend may direct payment of such dividend wholly or in part by the distribution of specific assets and, in particular, of paid up shares or debentures of any other company, and the Directors shall give effect to any such direction provided that no such distribution shall be made unless recommended by the Directors. Where any difficulty arises in regard to any such distribution, the Directors may settle the same as they think expedient and, in particular, may issue fractional certificates (or ignore fractions), may fix the value for distribution of such specific assets (or any part thereof) and may determine that cash payments may be made to any shareholders upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such assets in trustees upon trust for the persons entitled to the dividend as may seem expedient to the Directors.
- 3.3.7 The Directors may offer the holders of Ordinary Shares the right to elect to receive new Ordinary Shares credited as fully paid instead of cash in respect of the whole or part of any dividend.

### **3.4 Holding and Transfer of Shares**

- 3.4.1 The Companies (Jersey) Law 1991 (as amended) and the Companies (Uncertificated Securities) (Jersey) Order 1999 allow the holding and transfer of shares in CREST. The Articles provide that the Directors may implement such arrangements as they may think fit in order for any class of shares to be admitted to settlement by means of CREST. If the Directors implement any such arrangements, no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with:
- (i) the holding of shares of that class in uncertificated form;
  - (ii) the transfer of title to shares of that class by means of CREST; or

- (iii) such rules and requirements of Euroclear UK & Ireland Limited as may be applicable to Jersey issuers as from time to time specified in the document entitled "CREST Reference Manual" issued by Euroclear UK & Ireland Limited ("**CREST Jersey Requirements**").
- 3.4.2 Where any class of shares is for the time being admitted to settlement by means of CREST, such securities may be issued in uncertificated form in accordance with and subject as provided in the CREST Jersey Requirements. Unless the Directors otherwise determine, such securities held by the same holder or joint holder in both certificated form and uncertificated form shall be treated as separate holdings. Such securities may be changed from uncertificated form to certificated form and from certificated form to uncertificated form in accordance with and subject as provided in the CREST Jersey Requirements.
- 3.4.3 Title to such of the shares as are recorded in the Company's register of members as being held in uncertificated form may be transferred only by means of CREST. Every transfer of shares from a CREST account of a CREST shareholder to a CREST account of another CREST shareholder shall vest in the transferee a beneficial interest in the shares transferred, notwithstanding any agreements or arrangements to the contrary however and whenever arising and however expressed.
- 3.4.4 Subject as provided below, any shareholder may transfer all or any of their shares which are in certificated form by instrument of transfer in any form which the Directors may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor. The Directors may refuse to register any transfer of certificated shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The Directors may refuse to register a transfer of any share which is not fully paid up or on which the Company has a lien, provided that this would not prevent dealings from taking place on an open and proper basis.
- 3.4.5 Subject to the provisions of the CREST Jersey Requirements, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided that such suspension shall not be for more than 30 days in any year.
- 3.4.6 The Directors may decline to register any transfer of any shares if it has come to their attention that the person to whom the those shares are to be transferred is a US Person and, as a consequence of such transfer:
  - (i) the Company may be required to register or qualify under the US Investment Company Act of 1940, as amended; or
  - (ii) the Company's assets are considered "plan assets" within the meaning of the plan asset regulations under the US Employee Retirement Income Security Act of 1974, as amended;(collectively, the "**US Restrictions**"). The Directors may require, as a condition of any such transfer, that the transferee represent that they are not a US Person. The Directors may subject any transfer of shares to a US Person to such conditions as the Directors, acting in their discretion, may determine necessary or convenient for the purpose of compliance with the US Restrictions, including requiring the US Person that acquires the shares to execute a letter containing representations as to US compliance matters and establishing certain restrictions on the transfer of those shares.
- 3.4.7 The Directors may also refuse to register any transfer of shares which is prohibited by the provisions described in paragraph 3.7 of this Part 6 or any transfer of shares unless such transfer is accompanied by the share certificate (if any) to which it relates, is in respect of one class of share only, is in favour of no more than four

transferees and is lodged at the registered office or such other place as the Directors may appoint.

### 3.5 **Variation of Rights**

- 3.5.1 Whenever the capital of the Company is divided into different classes of shares, the special rights attached to any class of shares (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated, either whilst the Company is a going concern or during or in contemplation of a winding-up, with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons at least holding or representing by proxy or by a duly authorised representative (if a corporation) one-third in number of the issued shares of the class (but, at any adjourned meeting of such holders where a quorum as defined above is not present, those members who are present in person or by proxy shall be a quorum).
- 3.5.2 The special rights conferred upon the holders of shares or any shares or class of shares issued with preferred, deferred or other special rights shall not be deemed to be varied by the exercise of any powers under the disclosure provisions requiring shareholders to disclose an interest in the shares as referred to in paragraph 3.7 of this Part 6.

### 3.6 **Alteration of Share Capital**

- 3.6.1 The Company may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amount as the resolution may prescribe.
- 3.6.2 The Company may from time to time, subject to the provisions of Jersey Company Law and the Listing Rules, purchase its own shares (including any redeemable shares) in any manner authorised by Jersey Company Law.
- 3.6.3 The Company may by ordinary resolution:
- (i) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;
  - (ii) sub-divide all or any of its shares into shares of a smaller amount than is fixed by the memorandum of association of the Company; or
  - (iii) cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish the amount of its authorised share capital by the amount of shares so cancelled.
- 3.6.4 The Company may by special resolution reduce its share capital in any manner and with and subject to any incident authorised and consent required by Jersey Company Law.

### 3.7 **Disclosure of Share Ownership and Suspension of Rights**

The Directors may serve notice on any shareholder requiring that shareholder to disclose to the Company the identity of any person (other than the shareholder) who has any interest in the shares held by the shareholder and the nature of such interest. Any such notice shall require any information in response to such notice to be given in writing within such reasonable time as the Directors may determine. The Directors may be required to exercise the aforementioned powers on the requisition of members holding not less than one-tenth of such of the shares in the capital of the Company as carry at the date of such requisition the right of voting at general meetings. If any shareholder has been duly served with a notice and is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days from service of the notice or 14 days if the shares concerned represent 0.25 per cent. or more in number of issued shares of the relevant class), the Directors, in their absolute discretion, may serve a direction notice on the shareholder concerned. The direction notice may direct

that, in respect of the shares in respect of which the default has occurred (the "**default shares**"), the shareholder shall not be entitled to vote in general meetings or class meetings or to exercise any other right conferred by membership in relation to meetings or as the holder of any class of share. Where the default shares represent at least 0.25 per cent. of the class of shares concerned, the direction notice may additionally direct that any dividends on such shares will be retained by the Company (without interest) and that no transfer of the shares (other than a transfer approved under the Articles) shall be registered until the default is rectified.

### 3.8 **Notice to Shareholders**

- 3.8.1 Any notice or document may be served by the Company on any member either personally, using electronic communication (to the extent permissible) or by sending it through the post in a prepaid letter addressed to such member at their address as appearing in the register of members. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register of members in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.
- 3.8.2 Notices to be posted to addresses outside the Channel Islands and the United Kingdom shall be forwarded, so far as practicable, by prepaid airmail.
- 3.8.3 Any member present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.
- 3.8.4 Any notice or other document, if served by post, shall be deemed to have been served 24 hours after the time when the letter containing the same is posted and in proving such service it shall be sufficient to prove that the letter containing the notice or document was properly addressed and duly posted.
- 3.8.5 Any notice or other document, if sent by electronic communication (to the extent permissible), shall be deemed to have been received at the expiration of 24 hours after the time it was sent. Proof that an electronic communication was sent by the Company shall be conclusive evidence of such sending.
- 3.8.6 A notice given by advertisement shall be published in at least one UK national newspaper and at least one daily newspaper circulated widely in each of Guernsey and Jersey and shall be deemed to have been served before noon the day on which the advertisement appears.
- 3.8.7 Where a document requires to be signed by a shareholder or other person, then, if in the form of an electronic communication, it must, to be valid, incorporate the electronic signature or personal identification details of that shareholder or other person in such form as the Directors may approve or be accompanied by such other evidence as the Directors may require to satisfy themselves that the document is genuine. The Company may designate mechanisms for validating such document.
- 3.8.8 Any notice or document delivered or sent by electronic communication (to the extent permissible), by post to or left at the registered address of any member in accordance with the Articles shall, notwithstanding that such member be then dead or bankrupt, and whether or not the Company has notice of their death or bankruptcy, be deemed to have been duly served in respect of any share registered in the name of such member as sole or joint holder unless their name shall, at the time of the service of the notice or document, have been removed from the register of members as the holder of the share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under them) in the share.

### 3.9 **Untraced Shareholders**

The Company shall be entitled to sell at the best price reasonably obtainable the shares of a shareholder or any shares to which a person is entitled by transmission on death or bankruptcy if and provided that:

- (i) for a period of 12 years no cheque or warrant sent by the Company through the post in a pre-paid letter addressed to the shareholder or to the person so entitled to the share at their address in the register of shareholders or otherwise the last known address given by the shareholder or the person entitled by transmission to which cheques and warrants are to be sent has been cashed and no communication has been received by the Company from the shareholder or the person so entitled, provided that in any such period of 12 years the Company has paid at least three dividends whether interim or final;
- (ii) the Company has at the expiration of the 12 year period by advertisement in a newspaper circulating in the area in which the address referred to in sub-paragraph (i) above is located given notice of its intention to sell such shares;
- (iii) the Company has not during the period of three months after the date of the advertisement referred to in sub-paragraph (ii) above and prior to the exercise of the power of sale received any communication from the shareholder or person so entitled; and
- (iv) any part of the share capital of the Company is quoted on any stock exchange, the Company has given notice in writing to the quotations department of such stock exchange of its intention to sell such shares.

To give effect to any such sale the Directors may appoint any person to execute, as transferor, an instrument of transfer of the relevant shares and such instrument of transfer of such shares shall be as effective as if it had been executed by the registered holder of, or person entitled by transmission to, such shares and the title of the purchaser or other transferee shall not be effected by any irregularity or invalidity in the proceedings relating thereto. The net proceeds of sale shall belong to the Company, which shall be obliged to account to the former shareholder or other person previously entitled thereto by transmission for an amount equal to such proceeds and shall enter the name of such former shareholder or other person in the books of the Company as a creditor for such amount. No trust shall be created in respect of the debt, no interest shall be payable in respect of the same and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or invested in such investments other than shares of the Company as the Directors may from time to time think fit.

### 3.10 **General Meetings**

At least 20 business days' notice (or such other notice, being not less than 21 clear days, approved by the Directors) specifying the place, the day and the hour of any meeting of the Company and, in case of special business, the general nature of such business (and, in the case of an annual general meeting, specifying the meeting as such) shall be given. A general meeting is deemed to have been duly called on short notice if it is so agreed:

- (i) in the case of an annual general meeting, by all shareholders entitled to attend and vote thereat; or
- (ii) in the case of any other meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. of the total voting rights of the shareholders who have that right.

Notices calling a meeting of the Company or of any class meeting of the Company are required to state with reasonable prominence that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of them and that a proxy need not also be a shareholder. The accidental omission to give, or the non-receipt of, notice will not invalidate proceedings at a general meeting.

### 3.11 **Borrowing Papers**

3.11.1 The Company will comply with all borrowing restrictions applicable to an investment company listed on the stock exchange(s) on which the shares are listed and, subject thereto, the Directors shall restrict the borrowing of the Company so that at the time of any borrowing the aggregate amount remaining undischarged of all monies borrowed by the Company inclusive of any fixed or minimum premium payable on final repayment shall not, except with the consent of the Company in general meeting, exceed an amount equal to the Adjusted Total of Capital and Reserves.

3.11.2 For the purposes of this paragraph 3.11, "**Adjusted Total of Capital and Reserves**" means the aggregate of the amount paid up or credited as paid up on the issued share capital of the Company and the balances on the capital and revenue reserves of the Company and its subsidiary undertakings (if any) (the "**Group**"), all as shown in the latest published semi-annual balance sheet of the Group but adjusted as specified in the Articles.

3.11.3 The Directors and the Investment Manager shall exercise all and any powers of the Company to borrow money subject to and in accordance with the following limitations and conditions:

- (i) subject to any applicable requirement of law, interest may be charged against the income of the Company or against the capital or partly one and partly the other as the Directors may from time to time determine; and
- (ii) no such borrowing may be made from the Investment Manager and/or any connected person unless the terms of such borrowing are in line with those for the time being offered by the relevant lender to other similar borrowers for similar sums in the same currency and for the relevant term, but not otherwise, and in such a case the relevant lender shall not be liable to account for any profits or benefits made or derived from or in connection with such borrowing.

3.11.4 Any person lending money to the Company shall be entitled to assume that the Directors and the Investment Manager are acting in accordance with the Articles and shall not be concerned to enquire whether such provisions have in fact been complied with.

3.11.5 Any amounts guaranteed by the Company shall be counted as borrowing by the Company for the purposes of the limit on borrowing set out in paragraph 3.11.1 of this Part 6.

### 3.12 **Directors**

#### 3.12.1 *Number and Residency*

The number of Directors shall not be less than two and shall not be subject to any maximum. A majority of the Directors shall not be resident in the United Kingdom or Ireland.

#### 3.12.2 *Appointment, Retirement and Disqualification*

3.12.2.1 No person other than a Director retiring at the meeting shall, unless recommended by the Directors for appointment, be eligible for the office of a Director at any general meeting unless, not less than seven or more than 42 clear days before the day appointed for the meeting, there shall have been given to the Company notice in writing by some member duly qualified to be present and vote at the meeting for which such notice is given of their intention to propose such person for appointment, and also notice in writing signed by the person to be proposed of their willingness to be appointed.

3.12.2.2 All Directors shall submit themselves for election by shareholders at the first opportunity after their appointment, and shall not remain in office for longer than three years since their last election or re-election without

submitting themselves for re-election. At each annual general meeting, the Directors subject to retirement shall retire from office. On retiring a Director who is re-elected or deemed to have been re-elected will continue in office without a break. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself or herself for re-election and any Director who has been, or who by the time of the next annual general meeting will have been, in office for three years. In so far as the number of Directors retiring as calculated above is less than one-third of the Directors or if their number is not three or a multiple of three, the number nearest to but not exceeding one-third of the Directors who have been the longest in office shall also retire. As between two or more Directors who have been in office an equal length of time, the Directors to retire shall in default of agreement between them be determined by lot. The length of time a Director has been in office shall be computed from the date of their last election or appointment when he has previously vacated office. A retiring director shall be eligible for re-election.

3.12.2.3 The Company may from time to time by ordinary resolution remove any Director before expiration of their period of office and may by ordinary resolution appoint another person in their stead. The Directors may, from time to time, appoint one or more Directors but any Director so appointed shall hold office until the next annual general meeting of the Company when they shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

3.12.2.4 A Director shall not be required to hold any qualification shares.

3.12.2.5 There is no age limit at which a Director is required to retire.

3.12.2.6 The office of Director shall be vacated if:

- (i) the Director resigns their office by written notice;
- (ii) the Director shall have absented himself or herself from meetings of the Board for a consecutive period of six months and the Board resolves that his or her office shall be vacated;
- (iii) the Director becomes of unsound mind or incapable;
- (iv) the Director becomes insolvent, suspends payment or compounds with his or her creditors;
- (v) the Director is requested to resign by written notice signed by all his or her co-Directors;
- (vi) the Company in general meeting shall declare that he or she shall cease to be a Director; or
- (vii) the Director becomes resident in the United Kingdom and, as a result, a majority of the Directors are resident in the United Kingdom.

### 3.12.3 *Directors' Interests*

3.12.3.1 Save as mentioned in paragraph 3.12.3.2 of this Part 6, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he or she has (together with any interest of any person connected with him or her) a material interest (other than by virtue of his or her interest in shares, debentures or other securities of the Company).

3.12.3.2 A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

- (i) the giving of any guarantee, security or indemnity in respect of money lent to or obligations incurred by that Director or any other person for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which that Director has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or the giving of security;
- (iii) the offer of securities of the Company or its subsidiaries in which offer that Director is or may be entitled to participate or in the underwriting or sub-underwriting of which that Director is to or may participate;
- (iv) any proposal concerning any other company in which that Director is interested, directly or indirectly, as an officer or shareholder or otherwise, provided that that Director, together with persons connected with him or her, is not to his or her knowledge the holder of or beneficially interested in 1.0 per cent. or more of any class of the equity share capital of any such company (or of any third company through which their interest is derived) or of the voting rights of such company;
- (v) any arrangement for the benefit of employees of the Company or any of its subsidiaries which accords to that Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or
- (vi) any proposal for the purchase or maintenance for any Director of insurance against any liability.

3.12.3.3 Any Director may act by himself or herself or by their firm in a professional capacity for the Company, other than as auditor to the Company, and such Director or their firm shall be entitled to remuneration for professional services as if he or she were not a Director.

3.12.3.4 Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him or her.

#### 3.12.4 *Remuneration*

The Directors shall be remunerated for their services at such rate as the Directors shall determine, provided that the aggregate amount of such fees shall not exceed £150,000 per annum (or such greater sum as the Company in general meeting shall from time to time determine by ordinary resolution). The Directors shall also be entitled to be paid all expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.

#### 3.12.5 *Other*

3.12.5.1 A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with their office of Director on such terms as to tenure of office and otherwise as they may determine.

3.12.5.2 The Directors may from time to time appoint one or more of their body to the office of managing director (save that any holder of this office must not be UK resident) or to any other office for such term and at such remuneration and upon such terms as they may determine.

3.12.5.3 A Director, notwithstanding their interest, may be counted in the quorum present at any meeting at which that Director or any other Director is

appointed to hold any such office or place of profit under the Company, or where the terms of such appointment are arranged or any contract in which that Director is interested is considered and that Director may vote on any such appointment or arrangement other than his or her own appointment or the terms thereof.

### 3.13 **Indemnification of Officers**

3.13.1 The directors, managers, agents, secretary and other officers or servants for the time being of the Company and the trustees if any for the time being acting in relation to any of the affairs of the Company and their respective heirs and executors (each an "**Indemnified Person**") shall be fully indemnified out of the assets and profits of the Company from and against all actions, expenses and liabilities which they or their respective heirs or executors may incur by reason of any contract entered into or any act in or about the execution of their respective offices or trusts, except such, if any, as they shall incur by or through their own wilful act, neglect or default respectively.

3.13.2 No Indemnified Person shall be answerable for:

- (i) the acts, receipts, neglects or defaults of any other Indemnified Person or for joining in any receipt for the sake of conformity;
- (ii) the acts, receipts, neglects or defaults of any bankers or other person with whom any moneys or assets of the Company may be lodged or deposited for safe custody or into whose hands any money or assets of the Company may come;
- (iii) any defects of title of the Company to any property purchased, or any insufficiency or deficiency of, or defect in, title of the Company to any security upon which any moneys of the Company shall be placed out or invested;
- (iv) any loss, misfortune or damage resulting from any of the above or which may happen in or about the execution of their respective offices or trusts, except the same as shall happen by or through their own wilful act, neglect or default.

### 3.14 **Duration of the Company**

At each annual general meeting of the Company, the Directors shall propose an ordinary resolution to the effect that the Company continues as an investment company. If any such resolution is not passed, the Directors will convene an extraordinary general meeting of the Company for a date not later than 180 days after the annual general meeting at which such resolution was not passed and shall propose a special resolution at such extraordinary general meeting regarding implementation of proposals for the voluntary liquidation, open-ending or other reconstruction or reorganisation of the Company.

### 3.15 **Distribution of Assets upon a Winding-up**

3.15.1 The Company may be wound up by a special resolution of the shareholders in accordance with Jersey Company Law.

3.15.2 If the Company is wound up the assets of the Company shall be applied in satisfaction of creditors' claims. The assets available for distribution among the shareholders will then be applied in the following priority:

- (i) the surplus assets remaining after payment of all creditors shall be divided among the shareholders in proportion to the number of shares held at the commencement of the winding-up, subject to the rights of any shares which may be issued with special rights or privileges;
- (ii) the liquidator may, with the authority of an ordinary resolution, divide among the shareholders *in specie* the whole or any part of the assets of the Company, and may set such value as they deem fair upon any one or more

class of property, and may determine the method of division of assets between shareholders or different classes of shareholders (and the liquidator may, with like authority, vest any part of the assets in trustees upon such trusts for the benefit of shareholders as they shall think fit but no shareholder shall be compelled to accept any assets in respect of which there is any liability); and

- (iii) where the Company is proposed to be or is in the course of being wound up and the whole or part of its business or property is proposed to be transferred to or sold to another company, the liquidator may, with the sanction of an ordinary resolution, receive in compensation or part compensation shares, policies or other like interests in the transferee for distribution among the shareholders or may enter into any other arrangement whereby the shareholders may, in lieu of receiving cash, receive shares, policies or other like interests, participate in the profits of or receive any other benefit from the transferee.

#### 4. Mandatory Bids, Squeeze-out and Sell-out Rules

##### 4.1 **Mandatory Bid**

The City Code on Takeovers and Mergers (the "**City Code**") is issued and administered by the UK's Panel on Takeovers and Mergers (the "**Panel**"). The City Code applies to all takeover and merger transactions, however effected, where the offeree company has its registered office in the UK, the Isle of Man or the Channel Islands if the company has its securities admitted to trading on a regulated market in the United Kingdom (such as the Main Market) or on any stock exchange in the Channel Islands or the Isle of Man. The City Code therefore applies to the Company. To ensure the Panel's functions and powers under Jersey law are equivalent to those under UK law, the States of Jersey adopted the Companies (Takeover and Mergers Panel) (Jersey) Law 2009 (the "**Takeovers Law**") which came into force on 1 July 2009. The Takeovers Law closely follows Chapter 1 of Part 28 of the Companies Act 2006. The Takeovers Law empowers the Minister for Economic Development in Jersey to appoint a body to oversee takeovers and mergers and, with effect from 1 July 2009, the Panel was appointed as that body in accordance with the Companies (Appointment of Takeovers and Mergers Panel) (Jersey) Order 2009.

Under the City Code, except with the consent of the Panel, if:

- (i) a person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which any persons acting in concert with them are interested) carry 30 per cent. or more of the voting rights of the Company; or
- (ii) a person, together with any persons acting in concert with them, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of the Company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with them, acquires an interest in other shares which increases the percentage of shares carrying voting rights in which they are interested;

then, except with the consent of the Panel, such person shall (and, in certain circumstances, any persons acting in concert with them may be required to) extend offers, on the basis set out in the City Code, to the holders of any class of equity share capital (whether voting or non-voting) and also to the holders of any other class of transferable securities carrying voting rights. In particular, any such offer must be in cash or accompanied by a cash alternative, must be at a price not less than the highest price paid for by such person, or any person acting in concert with them, for any interest in shares of the relevant class during the 12 months prior to the announcement of the offer and, where there is more than one class of equity share capital, the offers for each class

must be comparable. For the purposes of the City Code, the Ordinary Shares are equity share capital.

#### 4.2 **Squeeze-out Rules**

Under Jersey Company Law, if a person who has made a general offer to acquire Ordinary Shares (the "**offeror**") were to acquire, or contract to acquire, 90 per cent. of the Ordinary Shares which are the subject of such offer within four months of making their offer, the offeror could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding Shareholders telling them that the offeror will compulsorily acquire their Ordinary Shares and then, six weeks later, executing a transfer of the outstanding Ordinary Shares in the offeror's favour and paying the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to those Shareholders whose Ordinary Shares are compulsorily acquired under Jersey Company Law must, in general, be the same as the consideration that was available under the general offer.

#### 4.3 **Sell-out Rules**

Jersey Company Law gives minority Shareholders a right to be bought out in certain circumstances by a person who has made a general offer as described in paragraph 4.2 of this Part 6. If, at any time before the end of the period within which the general offer can be accepted, the offeror holds or has agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which the general offer relates who has not accepted the general offer can, by a written communication to the offeror, require it to acquire that holder's Ordinary Shares. The offeror is required to give each Shareholder notice of their right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises their right, the offeror is entitled and bound to acquire their Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

### 5. Directors

5.1 At the date of this Prospectus, the interests (all of which were beneficial) of the Directors (and, so far as is known to or could with reasonable diligence be ascertained by the Directors, any persons connected with them) in the Ordinary Shares are as set out in the following table.

<i>Director</i>	<i>No. of Ordinary Shares</i>	<i>% of Voting Rights</i>
J G West ( <i>Chairman</i> )	55,850	0.023
G D P Breeze	5,433,254	2.248
A F Carey	-	-
A J R Collins	40,000	0.017
G D Ross	30,000	0.012

Save as disclosed in this paragraph 5.1, at the date of this Prospectus, none of the Directors (and, so far as is known to or could with reasonable diligence be ascertained by the Directors, any persons connected with them) had:

- (i) any interest in the share capital of the Company; or
- (ii) any options over shares in the Company's capital.

5.2 There are no existing or proposed service contracts between any of the Directors and the Company. Each of the Directors has entered into a letter of appointment with the Company (subject to re-election on retirement at any annual general meeting of the Company at which he is required to retire by rotation or, in the case of Adrian Collins and Graeme Ross, at each annual general meeting of the Company), terminable on three

months' notice. The Directors are entitled to the remuneration referred to in paragraph 5.3 of this Part 6, payable quarterly in arrears, and are entitled to out-of-pocket expenses and other expenses incurred in the proper performance of their duties as directors of the Company. The Directors are not entitled to any compensation or benefits upon termination of their office as directors of the Company.

5.3 At the date of this Prospectus, the Directors were entitled to aggregate annual remuneration (including any contingent or deferred compensation but excluding expenses) equal to:

- (i) in the case of James West (the chairman), £30,000 (financial year ended 30 June 2013: £30,000);
- (ii) in the case of Gavin Breeze (chairman of the audit committee), £22,500 (financial year ended 30 June 2013: £22,500);
- (iii) in the case of each of Allister Carey and Adrian Collins, £20,000 (financial year ended 30 June 2013: £20,000 each); and
- (iv) in the case of Graeme Ross (who is managing director of both the Jersey Administrator and the UK Administrator), £20,000 (financial year ended 30 June 2013: £20,000), which fee is payable to the Jersey Administrator and is included in, and not additional to, the fee payable to the Jersey Administrator pursuant to the Administration Agreement.

5.4 There are no commission or profit sharing arrangements between the Directors and the Company. Similarly, none of the Directors is entitled to pension, retirement or similar benefits and no benefits in kind have been, or are expected to be, granted to the Directors.

5.5 The Company maintains directors' and officers' liability insurance on behalf of the Directors at the expense of the Company to the extent that the Company is able to maintain such insurance.

5.6 Mr Ross is a director of the Jersey Administrator and of the UK Administrator. Details of:

- (i) the administration agreement between the Company and the Jersey Administrator; and
- (ii) the delegation agreement between the Jersey Administrator, the UK Administrator and the Company;

are set out in paragraphs 7.2.1 and 7.2.2, respectively, of this Part 6. Save as referred to in this paragraph 5.6, at the date of this Prospectus, there were no potential conflicts of interest between any duties to the Company of any of the Directors and their private interests and/or other duties.

5.7 The names of those companies and partnerships of which the Directors have been members of the administrative, management or supervisory bodies or partners at any time during the five years immediately preceding the date of this Prospectus (apart from their directorships of the Company and the subsidiaries of any companies of which the Directors are or have been members of the administrative, management or supervisory bodies) were as follows:

5.7.1 *James West (Chairman)*

*Current directorships and partnerships:* Aberdeen Smaller Companies High Yield Trust plc; Associated British Foods Pension Trustees Limited; British Assets Trust Public Limited Company; I Value plc (in members' voluntary liquidation); Jimmy West Associates Limited; JPMorgan Income & Capital Trust plc; New City High Yield Trust plc (in members' solvent voluntary liquidation); Threadneedle UK Select Ltd.

*Previous directorships and partnerships:* Canaccord Genuity Limited; Gartmore Fledgling Trust plc; GNE Group Limited; IPSA Group plc; Rurelec plc; Scottish &

Newcastle Pensions Plan Trustee Limited; The Independent Power Corporation plc.

5.7.2 *Gavin Breeze*

*Current directorships and partnerships:* Gabrinc Ltd; Gavin Breeze Consulting Ltd; Mi-Pay Ltd; Proxama Plc; White Angle Ltd.

*Previous directorships and partnerships:* DataCash Group plc; Envoy Services Ltd; GFTW Ltd (in solvent voluntary liquidation); Highfield Holdings Limited (in solvent voluntary liquidation); Mobank Ltd.

5.7.3 *Allister Carey*

*Current directorships and partnerships:* New City High Yield Trust plc (in members' solvent voluntary liquidation); Red Fort Partnership Ltd.

*Previous directorships and partnerships:* INVESCO Leveraged High Yield Fund Limited.

5.7.4 *Adrian Collins*

*Current directorships and partnerships:* Bahamas Petroleum Company plc; City Natural Resources High Yield Trust plc (in members' voluntary liquidation); Fincorp International Ltd.; Heritage Collins Ltd; Liontrust Asset Management plc; LTC Holdings plc; The Sri Lanka Fund Ltd.; Tri-Star Resources PLC.

*Previous directorships and partnerships:* Bestinvest (Holdings) Ltd.; Bluewater Bio International; Campden Partners Ltd.; Corvus Capital Inc.; Colombo Commercial Co. (Produce) Ltd.; Deutsche Land plc; Douglasbay Capital plc; H.I.M. Capital Ltd.; The Laxey Investment Trust plc; Mentum plc; Midas Capital Partners Ltd.; Midas Capital Plc; Nuwara Eliya (Holdings) Ltd; Nuwara Eliya Tea Estates Co. Ltd; Oakmont Resources Ltd; Smash & Grab Glass Recycling Ltd.

5.7.5 *Graeme Ross*

*Current directorships and partnerships:* Activum SG Capital Management Limited; Alpen Partners Limited; Apsley Advisors Limited; Artillery Property Limited; BDP Limited; Camber International Equity Growth Fund Limited; Dacharan Capital (Jersey) Limited; DN Capital Management (Jersey) Limited; Edgewater Capital Limited; Edgewater Properties Limited; FEP Animation Limited; Geiger Counter Limited; Genagro Ltd (formerly Agrifirma Brazil Limited); Global Media Rights Limited; HB Multi-Strategy Fund Limited; HEREF Diamond Holding Ltd; INVESCO PIT Limited; Iona Specialised Funds ICC; Minera IRL Limited; Minera IRL Limited – CSL; New City Energy Limited; Old Grandtully Investments Limited; Rawlinson & Hunter<sup>13</sup>; The Red Fort Partnership Limited; Rocket Entertainment Fund Limited; Samos Investments Jersey General Partner Limited; Satya Capital Limited; Scott Gordon Limited; Solon (Jersey No 1) Limited; UNION Real Estate Fund GPCO (Jersey) Limited.

*Previous directorships and partnerships:* ACP Mezzanine Limited; Billiton ESOP Trustee Limited; Botiga Investments Limited (in solvent voluntary liquidation); BP Employee Share Scheme (Jersey) Limited; British Airways Employee Benefit Trustee (Jersey); Burrage Funds Limited (in solvent voluntary liquidation); Centaurus Capital (Jersey) General Partner Limited; Computershare Company Secretarial Services (Jersey) Ltd; Computershare Fund Services (Jersey) Limited; Computershare Investor Services (Bermuda) Limited; Computershare Investor Services (BVI) Limited; Computershare Investor Services (Cayman) Limited; Computershare Investor Services (Guernsey) Limited; Computershare Investor Services (I.O.M.) Limited; Computershare Investor Services (Jersey) Limited; Computershare Nominees (Channel Islands) Limited; Computershare Offshore

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<sup>13</sup> The UK Administrator is a wholly owned subsidiary of the Jersey Administrator, which is owned by Rawlinson & Hunter. Mr Ross is a director of both the UK Administrator and the Jersey Administrator.

Services Limited; Computershare Trustees (C.I.) Limited; ETF Securities Limited; Global Sharepurchase Nominees (Jersey) Limited; Imperium Holdings Limited; Investor Resources International Limited (in solvent voluntary liquidation); Iona Fund Managers (Jersey) Limited; Iona Fund Services (Jersey) Limited; Iona Shareholder Services (Jersey) Limited; La Falda Resources Limited (dissolved); Larch Capital Fund IC; Lockley Holdings Limited; Northgate Unit Trust Managers (Jersey) Limited; Opus Capital Limited; Personal Choice Portfolios Limited; Petrus Advisers Management Limited; Prana Systematic Limited; Rasmala GCC Equity Opportunity Fund Limited; Reckitt Benckiser Employees' Trustees (Jersey) Ltd; Shared Growth FC ICC; Stamford House (Jersey) Limited.

5.8 Save as disclosed in relation to current and previous directorships and partnerships and solvent liquidations in paragraph 5.7 of this Part 6, at the date of this Prospectus, none of the Directors:

- (i) had been a member of any administrative, management or supervisory body or partner of any company or partnership at any time during the five years immediately preceding the date of this Prospectus;
- (ii) had any convictions in relation to fraudulent offences in the five years immediately preceding the date of this Prospectus;
- (iii) had been associated with any bankruptcies, receiverships or liquidations in the five years immediately preceding the date of this Prospectus;
- (iv) had been the subject of any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies); or
- (v) had been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer in the five years immediately preceding the date of this Prospectus.

## 6. Substantial Share Interests

6.1 Jersey Company Law does not require any person (other than Directors) who, directly or indirectly, has an interest in the Company's capital or voting rights to notify the Company of that interest and the provisions of Chapter 5 ("Vote Holder and Issuer Notification Rules") of the Disclosure and Transparency Rules do not currently apply to the Company. However, as at 24 January 2014, the Company was aware that the persons set out in the table below, directly or indirectly, were interested in 3.0 per cent. or more of the issued Ordinary Shares or the voting rights of the Company.

<i>Investor</i>	<i>No. of Ordinary Shares</i>	<i>% of Voting Rights</i>
Brewin Dolphin	43,457,972	17.8
James Sharp	18,465,273	7.6
Rathbones	15,066,100	6.2
Charles Stanley	10,859,733	4.5
Redmayne Bentley	9,364,203	3.8

6.2 The major Shareholders do not have different voting rights from other Shareholders.

6.3 As at 24 January 2014, the Company was not aware of:

- (i) any person who, directly or indirectly, jointly or severally, exercised or could exercise control over the Company; or
- (ii) any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

## 7. Investment Management, Administration, Custody and Share Registration Arrangements

### 7.1 **Investment Management**

7.1.1 By an investment management agreement dated 2 February 2007 between (i) the Company and (ii) NCIM, the Company appointed the Investment Manager to act as investment manager of the Company, including to manage the assets of the Company in accordance with the Company's investment objective, policy and restrictions from time to time (the "**IMA**"). By a deed of novation dated 19 September 2007 among (i) the Company, (ii) NCIM and (iii) CQS, NCIM novated its interest in the IMA to CQS. By an investment advisory agreement between (i) CQS and (ii) NCIM dated 28 September 2007, CQS delegated its function as the Company's investment manager pursuant to the IMA to NCIM.

Under the terms of the Investment Management Agreement, subject to the overall supervision of the Directors, the Investment Manager has complete discretion to buy, sell, retain, exchange or otherwise deal in investments for the account of the Company.

In consideration for providing the Company with management services, CQS is entitled to an investment management fee at the rate of 0.8 per cent. per annum of the value of the Company's Adjusted Total Assets (less current liabilities but excluding any bank borrowings), payable monthly in arrears. CQS is responsible for the fee payable to NCIM.

The IMA contains indemnity provisions (which are standard for this type of agreement) in favour of CQS (and any person to whom CQS properly delegates its duties under the IMA, which includes NCIM) against all claims and demands except where there has been fraud, negligence, wilful default or bad faith on the part of CQS (or any third party to whom CQS properly delegates its duties under the IMA, including NCIM).

The Investment Management Agreement is terminable by either party giving to the other party not less than 12 months' written notice of termination. Either party may also terminate the IMA forthwith by notice if the other party goes into liquidation or commits a material breach of its obligations under the IMA without rectifying the breach within 30 days' notice thereof. In addition, the Company will also be entitled to terminate the IMA forthwith by notice and without penalty if a winding-up of the Company occurs following the defeat of a continuation vote at any general meeting of the Company. Upon termination of the IMA, CQS will be entitled to all fees accrued to the date of termination and, in the event of summary termination without giving the full prescribed period of notice, a compensation payment in respect of the unexpired portion of the notice period save where such termination is due to CQS's liquidation, insolvency or material breach.

7.1.2 The CQS Group may provide investment management, investment advisory and other services to other clients (including investment companies) who may invest in the securities in which the Company may invest and, in providing such services, may use information obtained by the CQS Group which is used in managing the Company's investments. In the event of a conflict of interest arising, the Investment Manager will take reasonable steps to ensure that it is resolved fairly, in accordance with the rules of the FCA from time to time and the Investment Management Agreement. The activities of CQS and NCIM, in their capacity as the Company's investment manager, are subject to the overall policies, supervision and review of the Directors.

7.1.3 The Investment Manager will be liable to account to the Company for all brokerage commission disclosure on a periodic basis, as required by the FCA's rules and industry guidance. The Investment Manager will not receive any ancillary profits or gains from any transactions in investments made for the account of the Company.

- 7.1.4 CQS was established and registered in the Cayman Islands on 29 May 2003 as a limited partnership under Cayman Islands law with registered number CR14077. CQS operates under the laws of the Cayman Islands and regulations made thereunder. CQS has its registered office and principal place of business at P.O. Box 242, 45 Market Street, Gardenia Court, Camana Bay, Grand Cayman KY1-1104, Cayman Islands. CQS's telephone number at its principal place of business is +1 (345) 949 9900. CQS is authorised and regulated in the Cayman Islands by the Cayman Island Monetary Authority.
- 7.1.5 CQS Asset Management Limited (formerly New City Investment Managers Limited), trading as New City Investment Managers, was incorporated and registered in England and Wales on 8 December 2003 as a private company limited by shares under the Companies Act 1985 with registered number 4988116. NCIM operates under the Companies Act 2006 and regulations made thereunder. NCIM has its registered office and principal place of business at 5th Floor, 33 Chester Street, London SW1X 7BL. NCIM's telephone number at its principal place of business is +44 (0) 20 7201 6900. NCIM is authorised and regulated in the United Kingdom by the FCA.
- 7.1.6 Pursuant to the AIFM Directive and the associated third country provisions, the Company expects to enter into a new investment management agreement with CQS and NCIM in accordance with the AIFM Directive prior to 22 July 2014. That agreement will replace the agreement summarised in paragraph 7.1.1 of this Part 6 but is expected to include the same terms summarised in that paragraph together with any additional terms required in light of the AIFM Directive.

## 7.2 **Administration**

- 7.2.1 By an administration agreement dated 2 February 2007 between (i) the Company and (ii) R&H Fund Services (Jersey) Limited, the Jersey Administrator agreed to act as the administrator and company secretary and to provide administration (including accounting and valuation), compliance oversight and company secretarial services to the Company with effect from 7 March 2007. The Jersey Administrator may delegate all or any of its functions under the Administration Agreement.

The Jersey Administrator is entitled to receive a fixed annual fee from the Company of £26,000, payable quarterly in advance. This fee is inclusive of any director's fees due in respect of the appointment of Graeme Ross to the Board (and/or any replacement appointee from time to time).

The Administration Agreement contains indemnity provisions (which are standard for this type of agreement) in favour of the Jersey Administrator against all claims and demands except where there has been fraud, negligence or wilful default on the part of the Jersey Administrator.

The Administration Agreement is terminable by either party giving to the other party not less than 12 months' written notice of termination.

- 7.2.2 By a delegation agreement dated 13 December 2011 among (i) the Company, (ii) R&H Fund Services (Jersey) Limited and (iii) R&H Fund Services Limited, the Jersey Administrator has delegated UK compliance oversight and certain other administrative services under the Administration Agreement to the UK Administrator.

As at the date of this Prospectus, the UK Administrator is entitled to a fixed annual fee from the Company of £57,000, payable quarterly in advance. The fixed annual fee is recalculated for each successive period of 12 months, with effect from 1 April in each year, in line with any increase in RPI over the preceding year. In addition, the UK Administrator is entitled to a variable fee equivalent to 0.075 per cent. per annum of the value of the Company's assets (less current liabilities but excluding

any bank borrowings) in excess of £50 million, payable quarterly in advance, subject to a maximum variable fee of £50,000 per annum.

The Delegation Agreement contains indemnity provisions (which are standard for this type of agreement) in favour of the UK Administrator against all claims and demands except where there has been fraud, negligence or wilful default on the part of the UK Administrator.

The Delegation Agreement is terminable by any party giving to the other parties not less than 12 months' written notice of termination. In addition, the Delegation Agreement will immediately terminate upon the termination of the Administration Agreement subject to payment in lieu of notice, save where such termination is directly or indirectly as a consequence of the UK Administrator's act or omission.

7.2.3 R&H Fund Services (Jersey) Limited was incorporated and registered in Jersey on 29 November 1988 with registered number 42576 with limited liability. It operates under Jersey Company Law and orders made thereunder. The Jersey Administrator has an authorised, issued and fully paid up share capital of £25,000 divided into 25,000 ordinary shares of £1.00 each. The Jersey Administrator has its registered office and principal place of business at Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW. The Jersey Administrator's telephone number at its principal place of business is +44 (0) 1534 825 200. The Jersey Administrator is registered for the conduct of fund services business in respect of the Company in accordance with the Financial Services (Jersey) Law 1998 (the JFSC is protected by the Jersey Funds Law and the Financial Services (Jersey) Law 1998 against liability arising from the discharge of its functions under such laws).

7.2.4 R&H Fund Services Limited was incorporated and registered in England and Wales on 16 November 2011 as a private company limited by shares under the Companies Act 2006 with registered number 7777299. The UK Administrator operates under the Companies Act 2006 and regulations made thereunder. The UK Administrator has its registered office at 6 New Street Square, New Fetter Lane, London EC4A 3AQ, and its principal place of business at 15-19 York Place, Edinburgh EH1 3EB. The UK Administrator's telephone number at its principal place of business is +44 (0) 131 524 6140. The UK Administrator is not regulated by the FCA or any other equivalent regulator.

### 7.3 **Custody**

7.3.1 By a custody agreement dated 2 February 2007 between (i) HSBC Bank plc and (ii) the Company, the Custodian was appointed to provide custodian services to the Company.

Pursuant to the Custody Agreement, the Custodian receives fees for the provision of such services at rates as agreed upon from time to time but, as at the date of this Prospectus, comprising a custody charge of 2.0 basis points per annum based on the value of the assets of the Company and transaction charges of up to £30.00 for each transaction settlement.

The Custody Agreement contains warranties, representations and indemnities (which are standard for this type of agreement), including provisions indemnifying the Custodian against any liabilities, losses, costs, claims, expenses or demands arising out of or in connection with any breach by the Company of the terms of the Custody Agreement, with respect to any act or omission taken by the Custodian in the absence of the Custodian's fraud, negligence or wilful default.

The Custody Agreement may be terminated by either party giving to the other party not less than 30 days' written notice of termination. The Custodian may delegate its responsibilities under the Custody Agreement from time to time.

7.3.2 The Custodian may, at its discretion, appoint and remove sub-custodians to perform any part of the Custodian's services. The Custodian has agreed to notify,

from time to time, the Company, or the Investment Manager, of any sub-custodians used.

7.3.3 The Custodian, which together with its subsidiaries is one of the world's largest banking and financial services organisations, was incorporated and registered in England and Wales on 1 July 1880 with registered number 14259. It is a public company limited by shares and operates under the Companies Act 2006 and regulations made thereunder. As at 24 January 2014, the Custodian had an issued and fully paid up share capital of US\$209,665 million divided into ordinary shares of US\$0.50 each. The Custodian has its registered office and principal place of business at 8 Canada Square, London E14 5HQ. The Custodian's telephone number at its principal place of business is +44 (0) 20 7005 8101. The Custodian is authorised and regulated in the United Kingdom by the FCA.

7.3.4 Pursuant to the AIFM Directive and the associated third country provisions, the Company expects to enter into a depositary agreement with the Custodian under which the Custodian will be appointed as the Company's depositary in accordance with the AIFM Directive prior to 22 July 2014. That agreement will replace the Custody Agreement summarised in paragraph 7.3.1 of this Part 6 and is not expected to result in any material increase (relative to the fees payable under the Custody Agreement) in the fees payable by the Company.

#### 7.4 **Share Registration**

7.4.1 By a registrar agreement dated 1 February 2007 between (i) Computershare Investor Services (Jersey) Limited and (ii) the Company, the Registrar was appointed as the Company's registrar. The Registrar is entitled to a fixed annual fee of £8,500 from the Company, payable quarterly in arrears. The Registrar is also entitled to reimbursement for out-of-pocket expenses incurred, including reasonable legal fees. The Registrar Agreement may be terminated by either party giving to the other not less than six months' notice in writing.

7.4.2 The Registrar was incorporated and registered in Jersey on 3 September 1999 with registered number 75005 with limited liability. It operates under Jersey Company Law and orders made thereunder. The Registrar has an authorised, issued and fully paid up share capital of £25,000 divided into 25,000 ordinary shares of £1 each. The Registrar has its registered office and principal place of business at Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES. The Registrar's telephone number at its principal place of business is +44 (0) 1870 707 4040. The Registrar is registered for the conduct of fund services business in respect of the Company in accordance with the Financial Services (Jersey) Law 1998 (the JFSC is protected by the Jersey Funds Law and the Financial Services (Jersey) Law 1998 against liability arising from the discharge of its functions under such laws).

#### 8. Material Contracts

8.1 Pursuant to an overdraft facility letter dated 8 October 2009 between (i) HSBC Bank plc (the "**Bank**") and (ii) the Company (the "**Overdraft Letter**"), the Bank agreed to make available to the Company an overdraft facility for £20 million for general corporate purposes. The overdraft is reviewable on a monthly basis and is repayable on each monthly review date, if not renewed, or on demand. The interest rate payable is based on the base rate plus 1.75 per cent. per annum, payable on the cleared debit amount of the overdraft from time to time and is payable monthly in arrears.

8.2 Pursuant to an engagement letter dated 1 October 2012 and 13 December 2012, as amended by a supplemental engagement letter dated 17 January 2014, between (i) Cantor Fitzgerald and (ii) the Company, Cantor Fitzgerald agreed to act as financial adviser and corporate stockbroker to the Company (the "**Broker Engagement Letter**").

For its services as financial adviser and corporate stockbroker to the Company, Cantor Fitzgerald is paid a fixed annual fee of £30,000, payable quarterly in advance. In addition, Cantor Fitzgerald is entitled to a commission of 1.0 per cent. of the aggregate value, at their Placing Price, of new Ordinary Shares issued pursuant to the Placing Programme. In addition, Cantor Fitzgerald is reimbursed for its reasonable out-of-pocket expenses incurred in connection with its role as financial adviser and corporate stockbroker to the Company.

The Broker Engagement Letter contains indemnity provisions (which are standard for this type of agreement) in favour of Cantor Fitzgerald against all claims and demands except where there has been fraud, negligence or wilful default on the part of Cantor Fitzgerald.

The Broker Engagement Letter is terminable at any time by either party giving written notice of termination to the other.

- 8.3 Save for the agreements summarised in paragraphs 7.1.1, 7.2.1, 7.2.2, 7.3.1, 7.4.1, 8.1 and 8.2 of this Part 6, the Company has not:
- (i) entered into any material contract (not being a contract entered into in the ordinary course of business) in the two years immediately preceding publication of this Prospectus; or
  - (ii) entered into any other contract (not being a contract entered into in the ordinary course of business) which contains any provision under which the Company has any obligation or entitlement which is material to the Company at the date of this Prospectus.

## 9. Miscellaneous

- 9.1 The total net issue proceeds of the Placing Programme will depend on the number of new Ordinary Shares issued pursuant to it, the Placing Price of such new Ordinary Shares and the aggregate costs and expenses of the Placing Programme. Assuming that the Placing Programme is fully subscribed, 61,059,834 Ordinary Shares are issued, a Placing Price of 63.27p per new Ordinary Share and a commission of 1.0 per cent. of the gross proceeds of the Placing Programme is payable:
- (i) the gross proceeds of the Placing Programme would be approximately £38.6 million;
  - (ii) the fixed costs of the Placing Programme (these will be payable irrespective of whether any Ordinary Shares are issued pursuant to it) would be approximately £117,250;
  - (iii) commission of £386,347 would be payable; and
  - (iv) the net proceeds of the Placing Programme would be approximately £38.1 million.
- 9.2 As the new Ordinary Shares will be issued pursuant to the Placing Programme on a non-pre-emptive basis and each Ordinary Share carries the right to one vote at general meetings of the Company, the proportion of voting rights controlled by holders of existing Ordinary Shares will be diluted by the issue of new Ordinary Shares pursuant to the Placing Programme. Accordingly, the percentage of the voting rights at general meetings of the Company held by an existing holder of Ordinary Shares who does not participate in any issue of new Ordinary Shares pursuant to the Placing Programme at least *pro rata* to their holding of Ordinary Shares will be reduced as a result of any such issue. **For illustrative purposes only**, if 61,059,834 Ordinary Shares (being the maximum number of Ordinary Shares available under the Placing Programme) are issued pursuant to the Placing Programme:
- (i) there would be a dilution of 20 per cent. in existing Shareholders' voting control of the Company; and
  - (ii) a Shareholder who held 1.0 per cent. of the Ordinary Shares (and, therefore, 1.0 per cent. of the voting rights) at the date of this Prospectus and who does not

subsequently acquire or dispose of any Ordinary Shares would hold 0.8 per cent. of the voting rights.

These percentages are provided for illustrative purposes only and the extent of such voting dilution will depend on the number of new Ordinary Shares issued pursuant to the Placing Programme.

- 9.3 The currency of the Placing Programme is pounds sterling.
- 9.4 Investors will be able to make more than one subscription or purchase of Ordinary Shares pursuant to the Placing Programme, and multiple subscriptions or purchases will be treated individually and not aggregated.
- 9.5 No new Ordinary Shares will be made available to the public pursuant to the Placing Programme.
- 9.6 No application is being, or will be, made for the new Ordinary Shares to be issued pursuant to the Placing Programme to be listed or dealt in on any stock exchange or investment exchange other than the London Stock Exchange's Main Market.
- 9.7 No persons involved in the Placing Programme have any interests that are material to the Placing Programme.
- 9.8 Pursuant to the Data Protection (Jersey) Law 2005, the Company and/or the Registrar may hold personal data relating to past or present Shareholders. Such personal data held is used by the Registrar to maintain the Company's register of Shareholders and mailing lists and this may include sharing such data with third parties when effecting the payment of dividends to Shareholders or filing returns of Shareholders and their respective transactions in Shares with statutory bodies and regulatory authorities. Personal data may be retained on record for a period exceeding six years after it is no longer used.
- 9.9 Certain information contained in this Prospectus has been sourced from third parties. Such information has been accurately reproduced, the source of such information has been identified and, so far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 9.10 The Company's register of members may be inspected at Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted).

## 10. Documents Available for Inspection

Copies of the following documents are available for inspection at the registered office of the Company and at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until Tuesday, 27 January 2015:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports and accounts of the Company for the three financial years ended 30 June 2011, 30 June 2012 and 30 June 2013; and
- (iii) this Prospectus.

In addition, a copy of this Prospectus is available, for inspection only, at the National Storage Mechanism which is located at [www.morningstar.co.uk/uk/nsm](http://www.morningstar.co.uk/uk/nsm).

## PART 7

### DEFINITIONS AND GLOSSARY OF TERMS

The words and expressions listed below have the meanings set out opposite them throughout this Prospectus except where the context otherwise requires:

<b>"Administration Agreement"</b>	the administration agreement between the Jersey Administrator and the Company, details of which are set out in paragraph 7.2.1 of Part 6 of this Prospectus
<b>"Administrators"</b>	the Jersey Administrator and the UK Administrator
<b>"Admission"</b>	admission of the new Ordinary Shares issued pursuant to the Placing Programme to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market becoming effective in accordance with the Listing Rules and the LSE Admission Standards, respectively
<b>"AIC"</b>	the Association of Investment Companies
<b>"AIF"</b>	an alternative investment fund for the purposes of the AIFM Directive
<b>"AIFM"</b>	an alternative investment fund manager for the purposes of the AIFM Directive
<b>"AIFM Directive"</b>	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010
<b>"Articles"</b>	the articles of association of the Company in force from time to time
<b>"Board"</b>	the board of directors of the Company (or any duly authorised committee thereof) from time to time
<b>"Business Day"</b>	a day on which the London Stock Exchange and banks in London and Jersey are normally open for business
<b>"Cantor Fitzgerald"</b>	Cantor Fitzgerald Europe
<b>"certificated form"</b>	not in uncertificated form
<b>"Company"</b>	New City High Yield Fund Limited
<b>"Company's Adjusted Total Assets"</b>	the total assets of the Company (valuing listed investments at their mid, rather than bid, prices) less current liabilities (other than bank borrowing)
<b>"CQS"</b>	CQS Cayman Limited Partnership
<b>"CQS Group"</b>	CQS and its subsidiary undertakings from time to time, including New City Investment Managers
<b>"CREST"</b>	the computerised settlement system enabling securities to be held otherwise than by certificates and transferred otherwise than by written instrument and operated by Euroclear UK & Ireland Limited
<b>"Custodian"</b>	HSBC Bank plc

"Custody Agreement"	the custody agreement between the Company and the Custodian, details of which are set out in paragraph 7.3.1 of Part 6 of this Prospectus
"Delegation Agreement"	the delegation agreement among the Jersey Administrator, the UK Administrator and the Company, details of which are set out in paragraph 7.2.2 of Part 6 of this Prospectus
"Directors"	the directors of the Company from time to time
"Disclosure and Transparency Rules"	the disclosure and transparency rules made by the FCA under Part VI of FSMA
"discount"	in the context of an Ordinary Share, the amount by which its share price is lower than its NAV (expressed as a percentage of the NAV per Ordinary Share)
"EU"	the European Union
"FCA"	the UK Financial Conduct Authority
"FSMA"	the UK Financial Services and Markets Act 2000
"IFRS"	international financial reporting standards, as adopted by the EU
"Investment Management Agreement"	collectively (i) the investment management agreement between the Investment Manager and the Company, (ii) the deed of novation between the Company, NCIM and CQS and (iii) the investment advisory agreement between CQS and NCIM, details of which are set out in paragraph 7.1.1 of Part 6 of this Prospectus
"Investment Manager", "NCIM" or "New City Investment Managers"	CQS Asset Management Limited, which trades under the name of New City Investment Managers
"Investment Portfolio"	the Company's portfolio of investments from time to time
"ISA"	an individual savings account maintained in accordance with the UK Individual Savings Account Regulations 1998 (as amended)
"Issue Costs"	the costs and expenses incurred or payable by the Company in connection with the Placing Programme or any issue of Ordinary Shares pursuant to the Placing Programme (as the context may require and in all cases excluding the costs and expenses of preparing this Prospectus), and references to the " <b>Issue Costs per new Ordinary Share</b> " shall mean the Issue Costs incurred or payable by the Company in relation to an issue of new Ordinary Shares pursuant to the Placing Programme (excluding the costs and expenses of preparing this Prospectus) divided by the number of such shares issued on that occasion
"Jersey Administrator"	R&H Fund Services (Jersey) Limited
"Jersey Company Law"	the Companies (Jersey) Law 1991, as amended
"Jersey Funds Codes"	the Codes of Practice for Certified Funds published by the JFSC
"Jersey Funds Law"	the Collective Investment Funds (Jersey) Law 1988, as amended
"JFSC"	Jersey Financial Services Commission
"Listing Rules"	the listing rules made by the FCA under Part VI of FSMA

<b>"London Stock Exchange"</b>	London Stock Exchange plc
<b>"LSE Admission Standards"</b>	the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for, securities admitted to the Main Market
<b>"Main Market" or "London Stock Exchange's Main Market"</b>	the London Stock Exchange's market for listed securities
<b>"NAV"</b>	in relation to (i) the Company, the value of the assets of the Company less its liabilities and (ii) the Ordinary Shares, the value of the assets of the Company less its liabilities divided by the number of Ordinary Shares in issue and references to the NAV being " <b>cum-income</b> " or " <b>ex-income</b> " shall be to that NAV being calculated including or excluding, as appropriate, the current financial year income
<b>"NAV total return"</b>	the theoretical total return on the net asset value of an investment company's share (or the capital value of an index), reflecting the change in value of that net asset value (or capital value) assuming dividends paid on the share were reinvested in its net asset value (or the yield on the index was reinvested in its capital value)
<b>"NCHYT"</b>	New City High Yield Trust PLC
<b>"NCHYT Shares"</b>	ordinary shares of 25p each in the capital of NCHYT
<b>"Official List"</b>	the list maintained by the UK Listing Authority pursuant to Part VI of FSMA
<b>"Ordinary Shares"</b>	ordinary shares of no par value in the capital of the Company
<b>"Placing Price"</b>	<p>in relation to a new Ordinary Share to be issued pursuant to the Placing Programme, the price payable for that share, which shall not be:</p> <ul style="list-style-type: none"> <li>• less than the higher of: <ul style="list-style-type: none"> <li>- the aggregate of (i) the estimated prevailing NAV per Ordinary Share (cum-income) at the time the proposed issue is agreed and (ii) the Issue Costs per new Ordinary Share; and</li> <li>- 90 per cent. of the middle market price of the Ordinary Shares at the time the proposed issue is agreed; or</li> </ul> </li> <li>• higher than the best offer price per Ordinary Share at the time the proposed issue is agreed;</li> </ul> <p>and, for the avoidance of doubt, such price will be determined at the time of each proposed issue of Ordinary Shares pursuant to the Placing Programme</p>
<b>"Placing Programme"</b>	the issue of up to 61,059,834 new Ordinary Shares at the Placing Price by way of tap issues in response to market demand or placings, as described in this document
<b>"Placing Programme Issue Authority"</b>	the Shareholder authority to issue up to 61,059,834 new Ordinary Shares on a non-pre-emptive basis referred to in paragraph 2.4 of Part 6 of this Prospectus

<b>"premium"</b>	in the context of an Ordinary Share, the amount by which its share price is higher than its NAV (expressed as a percentage of the NAV per Ordinary Share)
<b>"Prospectus"</b>	this document, which comprises a prospectus relating to the Company prepared in accordance with the Prospectus Rules in connection with the Placing Programme and the applications for Admission
<b>"Prospectus Rules"</b>	the prospectus rules made by the FCA under section 73A of FSMA
<b>"rating"</b>	in the context of the Company or its Ordinary Shares, the price at which the Ordinary Shares trade relative to their NAV
<b>"Registrar"</b>	Computershare Investor Services (Jersey) Limited
<b>"Regulatory Information Service"</b>	a regulatory information service that is on the list of regulatory information services maintained by the FCA
<b>"RPI"</b>	in relation to the Administration Agreement, the Jersey retail prices index (all items) and, in relation to the Delegation Agreement, the UK retail prices index (all items)
<b>"Shareholders"</b>	holders of Ordinary Shares
<b>"SIPP"</b>	a self-invested personal pension (as defined in the UK Personal Pension Schemes (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 (SI 2001 No 117))
<b>"SSAS"</b>	a small self-administered scheme (as defined in the UK Retirement Benefits Schemes (Restriction on Discretion to Approve) (Small Self-administered Schemes) Regulations (SI 1991 No 1614))
<b>"UK Administrator"</b>	R&H Fund Services Limited
<b>"UK Listing Authority"</b>	the FCA acting in its capacity as the competent authority for the purpose of admissions to the Official List
<b>"uncertificated form"</b>	recorded in the Company's register of members as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
<b>"United Kingdom" or "UK"</b>	the United Kingdom of Great Britain and Northern Ireland
<b>"United States" or "US"</b>	the United States of America, its territories and possessions, any state or other political sub-division of the United States of America and the District of Columbia
<b>"US Person"</b>	a person who is either (i) a "US person" within the meaning of Regulation S under the US Securities Act or (ii) not a "Non-United States person" within the meaning of the US Commodity Futures Trading Commission Rule 4.7(a)(I)(iv)
<b>"US Securities Act"</b>	the United States Securities Act of 1933, as amended

Notes:

1. All references to "£", "pounds sterling" and "pence" (including the abbreviation "p") are to the lawful currency of the United Kingdom.
2. All references in this Prospectus to 24 January 2014 should be regarded as being references to the latest practicable date prior to the publication of this Prospectus.