

A copy of this document, which comprises a prospectus prepared in accordance with the Prospectus Rules relating to New City High Yield Fund Limited<sup>1</sup> in connection with the Issues and the applications for admission of all of the Ordinary Shares to be issued pursuant to the Issues 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**

**(TO BE RENAMED CQS NEW CITY HIGH YIELD FUND LIMITED<sup>1</sup>)**

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

## **INITIAL PLACING, OFFER FOR SUBSCRIPTION AND PLACING PROGRAMME OF UP TO 158,250,000 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, marketing 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 Prospectus in its entirety and, in particular, pages 18 to 26 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 Issues 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 Thursday, 2 April 2015 to Friday, 4 March 2016 (or any earlier date on which the Placing Programme is fully subscribed).

5 March 2015

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<sup>1</sup> A special resolution to change the name will be proposed at a general meeting of the Company which has been convened for 12.30 p.m. on Monday, 30 March 2015.

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Cantor Fitzgerald, 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 Initial Placing, the Offer, the Placing Programme and the Issues and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Cantor Fitzgerald or for providing advice in relation to the Initial Placing, the Offer, the Placing Programme, the Issues or any other matter referred to in this Prospectus. Nothing in this paragraph shall serve to exclude or limit any responsibilities that Cantor Fitzgerald 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 Initial Placing, the Offer, the Placing Programme and the Issues 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 Initial Placing, the Offer, the Placing Programme, the Issues 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

Element	Disclosure Requirement	Disclosure
A.1	<b>Warning</b>	<p>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.</p>
A.2	<b>Subsequent resale or final placement of Ordinary Shares through financial intermediaries</b>	<p>The Company consents to the use of this Prospectus by the Intermediaries in connection with any subsequent resale or final placement of Ordinary Shares pursuant to the Offer by the Intermediaries in the UK on the following terms:</p> <ul style="list-style-type: none"> <li>(i) in respect of Intermediaries who have been appointed by Cantor Fitzgerald prior to the date of this Prospectus, from the date of this Prospectus; and</li> <li>(ii) in respect of any Intermediaries who are appointed by Cantor Fitzgerald after the date of this Prospectus, from the date on which they are appointed to participate in connection with any subsequent resale or final placement of the Ordinary Shares pursuant to the Offer;</li> </ul> <p>and, in each case, until the closing of the period for the subsequent resale or final placement of the Ordinary Shares by Intermediaries at 11.00 a.m. on Wednesday, 15 April 2015, unless closed prior to that date.</p> <p><b>Any application made by investors to any Intermediary is subject to the terms and conditions imposed by each Intermediary. Information on the terms and conditions of any subsequent resale or final placement of securities by any Intermediary is to be provided at the time of the offer by the Intermediary.</b></p>

## Section B – The Issuer

Element	Disclosure Requirement	Disclosure																																
B.1	<b>Legal &amp; commercial name</b>	New City High Yield Fund Limited. A special resolution to change the Company's name to CQS New City High Yield Fund Limited will be proposed at a general meeting of the Company which has been convened for 12.30 p.m. on Monday, 30 March 2015.																																
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>	<p>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 3 March 2015, the Company was 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>45,130,182</td> <td>14.8</td> </tr> <tr> <td>James Sharp</td> <td>22,217,001</td> <td>7.3</td> </tr> <tr> <td>Rathbones</td> <td>19,184,466</td> <td>6.3</td> </tr> <tr> <td>Hargreaves Lansdown</td> <td>12,798,607</td> <td>4.2</td> </tr> <tr> <td>Redmayne Bentley</td> <td>12,584,361</td> <td>4.1</td> </tr> <tr> <td>Charles Stanley</td> <td>12,122,822</td> <td>4.0</td> </tr> <tr> <td>Veritas Investment Management</td> <td>11,159,336</td> <td>3.7</td> </tr> </tbody> </table> <p>The major Shareholders do not have different voting rights from other Shareholders. As at 3 March 2015, 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	45,130,182	14.8	James Sharp	22,217,001	7.3	Rathbones	19,184,466	6.3	Hargreaves Lansdown	12,798,607	4.2	Redmayne Bentley	12,584,361	4.1	Charles Stanley	12,122,822	4.0	Veritas Investment Management	11,159,336	3.7								
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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 2012, 30 June 2013 and 30 June 2014.</p> <table border="1"> <thead> <tr> <th></th> <th colspan="3"><i>As at 30 June</i></th> </tr> <tr> <th></th> <th><i>2012</i></th> <th><i>2013</i></th> <th><i>2014</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>127,544</td> <td>157,714</td> <td>194,441</td> </tr> <tr> <td>Current assets</td> <td>4,794</td> <td>4,695</td> <td>5,027</td> </tr> <tr> <td>Current liabilities</td> <td>(8,189)</td> <td>(14,560)</td> <td>(17,607)</td> </tr> <tr> <td>Net assets</td> <td>124,149</td> <td>147,849</td> <td>181,861</td> </tr> <tr> <td>NAV per Ordinary Share</td> <td>56.36p</td> <td>60.53p</td> <td>62.41p</td> </tr> </tbody> </table>		<i>As at 30 June</i>				<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>Capital</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	Investments at fair value	127,544	157,714	194,441	Current assets	4,794	4,695	5,027	Current liabilities	(8,189)	(14,560)	(17,607)	Net assets	124,149	147,849	181,861	NAV per Ordinary Share	56.36p	60.53p	62.41p
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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>	<i>Investment Objective</i> 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.																																																															

Element	Disclosure Requirement	Disclosure
		<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>

Element	Disclosure Requirement	Disclosure
B.36	<b>Regulatory status</b>	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.
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> <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).</p>
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 as the Company may 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).
B.40	<b>Service providers</b>	<p><i>Manager and Investment Manager</i></p> <p>The Company has appointed CQS Cayman Limited Partnership as its investment manager and, under the terms of the Investment Management Agreement, CQS has delegated (with the Board's agreement) that function to CQS Asset Management Limited (trading as New City Investment Managers). The Company has appointed New City Investment Managers as its AIFM.</p> <p>Under the Investment Management Agreement, the Company pays CQS an investment management fee, payable monthly in arrears, of 0.8 per cent. per annum of the Company's Adjusted Total Assets up to £200 million and 0.7 per cent. per annum thereafter. There are no additional fees payable by the Company to New City Investment Managers. The Investment Management Agreement may be terminated by any of the Company, CQS or New City Investment Managers giving to the other parties not less than 12 months' notice.</p>

Element	Disclosure Requirement	Disclosure
		<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.</p> <p>Under the Administration Agreement, the Jersey Administrator is currently entitled to a fixed fee of £31,000 per annum (index-linked), including the director's fee payable to Graeme Ross. The UK Administrator is currently entitled to a fixed fee of £60,000 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 £81,000 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>Safekeeping and Cashflow Monitoring Agent</i></p> <p>The Company and the AIFM have appointed HSBC Bank plc to provide safekeeping of the Company's assets and cashflow monitoring and oversight services and the Safekeeping and Cashflow Monitoring Agent has assumed its functions and responsibilities in accordance with the FCA Rules implementing the AIFM Directive as they apply to the Safekeeping and Cashflow Monitoring Agent in the provision of such services.</p> <p>Under the Services Agreement, the Safekeeping and Cashflow Monitoring Agent is entitled to fees for its cashflow monitoring and oversight services of 0.03 per cent. per annum on the first £100 million of the Company's NAV, 0.02 per cent. per annum on the next £100 million of NAV, 0.01 per cent. per annum thereafter. The fees payable to the Safekeeping and Cashflow Monitoring Agent for its custody services are dependent on the aggregate value of the Company's assets and the number and nature of transactions undertaken by the Company.</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 Manager, the Investment Manager &amp; the Safekeeping and Cashflow Monitoring Agent</b>	<p><i>Manager</i></p> <p>CQS is registered in the Cayman Islands with the Cayman Island Monetary Authority.</p> <p><i>Investment Manager</i></p> <p>New City Investment Managers is regulated, and approved as an AIFM, in the UK by the FCA.</p>

Element	Disclosure Requirement	Disclosure
		<p><i>Safekeeping and Cashflow Monitoring Agent</i></p> <p>The Safekeeping and Cashflow Monitoring Agent is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.</p>
B.42	<p><b>Valuation &amp; publication of the Company's NAV</b></p>	<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 pounds sterling at the rates of exchange applying on the relevant valuation date; and</li> <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</p>

Element	Disclosure Requirement	Disclosure
		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.
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 3 March 2015, the Investment Portfolio comprised 139 investments with an aggregate value of £198.3 million (and the Company had cash balances of £4.8 million).</p> <p>Based on the value of the Investment Portfolio at the close of business on 3 March 2015:</p> <ul style="list-style-type: none"> <li>• 75.6 per cent. of the Investment Portfolio was invested in bonds, 11.7 per cent. was invested in preference shares, 9.8 per cent. was invested in equities and 2.9 per cent. was invested in convertibles;</li> <li>• 100.0 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 70.7 per cent. of the Investment Portfolio;</li> <li>• the Company's largest country exposure was to the United Kingdom, which represented 74.2 per cent. of the Investment Portfolio;</li> <li>• the Company's largest sector exposure was to financials, which represented 46.1 per cent. of the Investment Portfolio; and</li> <li>• the Company's 10 largest investments represented 26.4 per cent. of the Investment Portfolio.</li> </ul>
B.46	<b>Latest NAV per Ordinary Share</b>	The unaudited NAV (cum-income) per Ordinary Share as at 3 March 2015 was 58.94p.

### Section C – The Securities

Element	Disclosure Requirement	Disclosure
C.1	<b>Details of the Issues</b>	The Company intends to issue up to 158,250,000 ordinary shares of no par value (equivalent to 50 per cent. of the issued share capital of the Company as at the date of this Prospectus) pursuant to the Initial Placing, the Offer and the Placing Programme. The Issues have not been, and will not be, underwritten and, accordingly, the number of new Ordinary Shares issued pursuant to the Issues may be less than 158,250,000.

Element	Disclosure Requirement	Disclosure
		<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 the Issues</b>	The currency of the Issues is pounds sterling and, accordingly, the Issue Price will be payable in pounds sterling.
C.3	<b>Issued share capital</b>	As at 3 March 2015, the Company had 316,549,173 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 19,279,917 new Ordinary Shares (equivalent to 6.1 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 2015. In addition, a general meeting of the Company has been convened for Monday, 30 March 2015 at which a resolution will be proposed to authorise the Company to issue for cash, on a non-pre-emptive basis, up to 158,250,000 new Ordinary Shares (equivalent to 50 per cent. of the Ordinary Shares in issue at the date of this Prospectus) pursuant to the Issues.</p> <p>New Ordinary Shares issued pursuant to the Issues 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</p>

Element	Disclosure Requirement	Disclosure
		<p>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 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>	Applications will be made to the UK Listing Authority for the new Ordinary Shares to be issued pursuant to the Issues 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.
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 in respect of each financial year of the Company normally consisting of four interim dividends of which the fourth interim dividend is larger than the preceding three.</p>

## Section D – The Risks

Element	Disclosure Requirement	Disclosure
D.2	<b>Key risks specific to the Company &amp; its investments</b>	<p>The past performance of the Company cannot be relied on as an indicator of the 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, the Manager, the Investment Manager, the Jersey</p>

Element	Disclosure Requirement	Disclosure
		<p>Administrator, the UK Administrator and the Safekeeping and Cashflow Monitoring Agent and their respective delegates, if any, perform services that are integral to the Company's investments, 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, to exercise due care and skill or to 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 investments, 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</p>

Element	Disclosure Requirement	Disclosure
		<p>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 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>

### **Section E – The Initial Placing, the Offer and the Placing Programme**

Element	Disclosure Requirement	Disclosure
E.1	<b>Net proceeds</b>	<p>The total net proceeds of the Issues will depend on the number of new Ordinary Shares issued pursuant to the Issues, the Issue Price of such new Ordinary Shares and the aggregate costs and expenses of the Issues.</p> <p>The prices at which new Ordinary Shares will be issued pursuant to the Issues will be calculated by reference to the estimated prevailing NAV (cum-income) of the existing Ordinary Shares together with a premium intended to cover the costs and expenses of the Issues (including, without limitation, placing commissions). However, for illustrative purposes only, assuming that 158,250,000 Ordinary Shares are issued pursuant to the Issues, an Issue Price of 60.7p per new Ordinary Share (being a premium to the NAV (cum-income) per share as at 3 March 2015) and a placing commission of 1.0 per cent. of the gross proceeds of the Issues is payable:</p> <ul style="list-style-type: none"> <li>the gross proceeds of the Issues would be approximately £96.1 million;</li> </ul>

Element	Disclosure Requirement	Disclosure
		<ul style="list-style-type: none"> <li>• the fixed costs of the Issues would be approximately £0.14 million (these will be payable irrespective of whether any Ordinary Shares are issued pursuant to the Issues);</li> <li>• placing commissions of approximately £0.96 million would be payable; and</li> <li>• the net proceeds of the Issues would be approximately £95.0 million.</li> </ul>
E.2a	<b>Reasons for the Issues</b>	<p>The Issues are 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 Issues are as follows:</p> <ul style="list-style-type: none"> <li>• the issue of new Ordinary Shares: <ul style="list-style-type: none"> <li>- 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>- will increase the size of the Company, which should make it more attractive to a broader range of investors as well as spreading its 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>- should continue to improve liquidity in the market for the Ordinary Shares due to the increasing number of Ordinary Shares in issue;</li> </ul> </li> <li>• the Initial Placing and the Offer will allow Shareholders and other investors to acquire Ordinary Shares at a premium of 3.0 per cent. to their NAV (cum-income), which is lower than: <ul style="list-style-type: none"> <li>- the weighted average premium of 3.6 per cent.<sup>2</sup> at which new Ordinary Shares were issued; and</li> <li>- the average premium of 6.0 per cent.<sup>2</sup> at which the Ordinary Shares traded;</li> </ul> <p>over the period from 1 January 2014 to 3 March 2015;</p> </li> <li>• the Offer has been structured so that Shareholders and other investors can acquire new Ordinary Shares for their ISAs in both the 2014/2015 and 2015/2016 tax years; and</li> <li>• the Placing Programme should enhance the Company's ability to issue new Ordinary Shares tactically to manage the premium at which the Ordinary Shares trade.</li> </ul> <p>It is intended that the net proceeds of any issue of new Ordinary Shares pursuant to the Issues will be invested in investments consistent with the Company's investment objective and policy.</p>

<sup>2</sup> Source: Morningstar.

Element	Disclosure Requirement	Disclosure
E.3	<b>Terms &amp; conditions of the Issues</b>	<p><b><i>Terms of Initial Placing and Offer</i></b></p> <p>The Initial Placing and the Offer will open on 5 March 2015 and will have two closing dates:</p> <ul style="list-style-type: none"> <li>• an initial closing date of 11.00 a.m. on Thursday, 26 March 2015 (the "<b>March Closing</b>"); and</li> <li>• a final closing date of 11.00 a.m. on Wednesday, 15 April 2015 (the "<b>April Closing</b>").</li> </ul> <p>Investors may apply for Ordinary Shares to be issued only in respect of the March Closing or the April Closing or for Ordinary Shares to be issued in respect of both the March Closing and the April Closing.</p> <p>The maximum number of Ordinary Shares that may be issued pursuant to the Initial Placing and Offer will be:</p> <ul style="list-style-type: none"> <li>• in respect of the March Closing, 158,250,000 Ordinary Shares; and</li> <li>• in respect of the April Closing, such number of Ordinary Shares as shall equal 158,250,000 Ordinary Shares less the number of Ordinary Shares issued pursuant to the March Closing.</li> </ul> <p>The price at which new Ordinary Shares will be issued pursuant to the Initial Placing and Offer will be:</p> <ul style="list-style-type: none"> <li>• in respect of the March Closing, the higher of: <ul style="list-style-type: none"> <li>- a premium of 3.0 per cent. to the estimated NAV (cum-income) per Ordinary Share; and</li> <li>- 90 per cent. of the middle market price of the Ordinary Shares;</li> </ul> at the close of business on Friday, 27 March 2015; and</li> <li>• in respect of the April Closing, the higher of: <ul style="list-style-type: none"> <li>- a premium of 3.0 per cent. to the estimated NAV (cum-income) per Ordinary Share; and</li> <li>- 90 per cent. of the middle market price of the Ordinary Shares;</li> </ul> at the close of business on Thursday, 16 April 2015.</li> </ul> <p><b><i>Terms of Placing Programme</i></b></p> <p>The Placing Programme will open on Thursday, 23 April 2015 and will close on Friday, 4 March 2016 (or any earlier date on which it is fully subscribed). The maximum number of Ordinary Shares that may be issued pursuant to the Placing Programme is such number of Ordinary Shares as shall equal 158,250,000 Ordinary Shares less the aggregate number of Ordinary Shares issued pursuant to the Initial Placing and Offer.</p> <p>The minimum price at which new Ordinary Shares will be issued pursuant to the Placing Programme will be the higher of:</p> <ul style="list-style-type: none"> <li>• the aggregate of (i) the estimated prevailing NAV (cum-income) per Ordinary Share 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>

Element	Disclosure Requirement	Disclosure
		<p>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.</p> <p><b>Conditions of the Issues</b></p> <p>Each issue of new Ordinary Shares pursuant to the Issues will be conditional on:</p> <ul style="list-style-type: none"> <li>• Shareholder authority for the issue of such Ordinary Shares on a non-pre-emptive basis being in place;</li> <li>• the Company and the Investment Manager having complied with all of their respective obligations under the Placing Agreement which fall to be performed or satisfied on or prior to Admission of such Ordinary Shares;</li> <li>• the Placing Agreement becoming or remaining wholly unconditional (save as to Admission of such Ordinary Shares) and not having been terminated in accordance with its terms; and</li> <li>• Admission of such new Ordinary Shares.</li> </ul> <p>In circumstances in which any of the conditions referred to above are not met, the issue of Ordinary Shares pursuant to the relevant Issue will not take place.</p>
E.4	<b>Material interests</b>	Not applicable as no persons involved in the Issues have any interests that are material to the Issues.
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 Issues.
E.6	<b>Dilution</b>	<p>As no Ordinary Shares will be issued pursuant to the Issues at a price which is less than the aggregate of the NAV (cum-income) per Ordinary Share and a premium to cover the costs and expenses of the Issues (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 pursuant to the Issues.</p> <p>Assuming 158,250,000 Ordinary Shares are issued pursuant to the Issues and none of those shares are issued to existing Shareholders, there would be a dilution of approximately 33.3 per cent. in existing Shareholders' voting control of the Company.</p>
E.7	<b>Estimated expenses charged to investors by the Company</b>	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 (cum-income) of the existing Ordinary Shares together with a premium intended to cover the costs and expenses of the Issues (including, without limitation, any placing commissions).

## **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 on 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, the Manager 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 3 March 2015, the Company had cash and cash-equivalent investments of £4.8 million, equivalent to 2.3 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 has the use of a revolving facility agreement of up to £30 million provided by Scotiabank Europe plc pursuant to the terms of a facility agreement. If the Company is required to repay borrowings under its 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 on 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, the Manager, the Investment Manager, the Jersey Administrator, the UK Administrator and the Safekeeping and Cashflow Monitoring Agent 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 on 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***

FATCA is US legislation aimed at reducing tax evasion by US citizens. In broad terms, FATCA requires financial institutions outside the US to pass information about their US customers to the US tax authorities. A 30 per cent. withholding tax is imposed on the US source income of any financial institution that fails to comply with this requirement. The Company is a financial institution for these purposes. The withholding tax may be avoided if the financial institution in question complies with information-gathering and disclosure requirements imposed under FATCA in relation to its US account holders.

The United States and Jersey have entered into an inter-governmental agreement (the "**US-Jersey IGA**") to facilitate compliance by Jersey resident financial institutions with the reporting requirements imposed by FATCA. Under the US-Jersey IGA, as implemented in Jersey through domestic legislation, the Company may be required to report certain information about Shareholders and other account holders to the Jersey authorities, who may in turn provide the information to the US authorities. Provided the Company complies with the terms of the US-Jersey IGA, as implemented in Jersey, it should not suffer the 30 per cent. withholding tax imposed under FATCA. It should be noted, however, that the rules relating to FATCA are new and subject to change and compliance by the Company cannot be guaranteed. Were the 30 per cent. withholding tax to be imposed on any US source payments received by the Company, this could have a material adverse effect on the level of returns to all Shareholders.

### ***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. 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 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. The marketing of Ordinary Shares to EEA investors is restricted and must be undertaken in accordance with the relevant national private placing regimes of any Member States in which marketing takes place, including regulators of the relevant third country (in this case Jersey) and the relevant 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 Member States' regulators, including the FCA. In cases where such co-operation agreement has not been entered into, the ability of the Company to market Ordinary Shares or raise further equity capital in those countries may be limited.

The Investment Manager has been appointed as the Company's AIFM and, as such, needs to comply, and will need to ensure that the Company complies, with various organisational, operational and transparency obligations in relation to the Company that may create significant additional compliance costs that may be passed on by the Investment Manager to the Company, which may have a material adverse effect on the level of returns to Shareholders.

The Investment Manager has filed a notification with the FCA pursuant to Article 42 of the AIFM Directive to market the Ordinary Shares in the UK under the UK national private placing regime.

Any regulatory changes arising from the AIFM Directive (or otherwise) that limit the Investment Manager's ability to manage the investments of the Company or to market future issues of Ordinary Shares may materially adversely affect the Company's ability to carry out its investment policy successfully and to achieve its investment objective.

## **IMPORTANT INFORMATION**

No person has been authorised to issue any advertisement, give any information or make any representations in connection with the Issues other than the information contained in this Prospectus and, if issued, given or made, such advertisement, information or representations must not be relied on 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 on 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 Issues 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 35 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.

The Manager 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; and
- (ii) 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 the Manager is responsible is, to the best of the Manager's knowledge, in accordance with the facts and contains no omission likely to affect its import. The information in this Prospectus for which the Manager has accepted responsibility is included, in the form and context in which it is included, with the consent of the Manager, which has authorised those parts of this Prospectus in which such information appears.

## **Intermediaries**

The Company consents to the use of this Prospectus by the Intermediaries in connection with any subsequent resale or final placement of Ordinary Shares pursuant to the Offer by the Intermediaries in the UK on the following terms:

- (i) in respect of Intermediaries who have been appointed by Cantor Fitzgerald prior to the date of this Prospectus, as listed under the sub-heading "Intermediaries" in Part 2 of this Prospectus, from the date of this Prospectus; and
- (ii) in respect of any Intermediaries who are appointed by Cantor Fitzgerald after the date of this Prospectus, a list of which will appear on the Company's website, from the date on which they are appointed to participate in connection with any subsequent resale or final placement of the Ordinary Shares pursuant to the Offer;

and, in each case, until the closing of the period for the subsequent resale or final placement of the Ordinary Shares by Intermediaries at 11.00 a.m. on Wednesday, 15 April 2015, unless closed prior to that date.

**Any application made by investors to any Intermediary is subject to the terms and conditions imposed by each Intermediary. Information on the terms and conditions of any subsequent resale or final placement of securities by any Intermediary is to be provided at the time of the offer by the Intermediary.**

The Company accepts responsibility for the information contained in the Prospectus with respect to any subscriber for Ordinary Shares pursuant to any subsequent resale or final placement of securities by Intermediaries.

Any new information with respect to financial intermediaries unknown at the time of approval of this Prospectus will be available on the Company's website, which is located at [www.ncim.co.uk/nc\\_main.php](http://www.ncim.co.uk/nc_main.php).

## **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 7 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) except pursuant to an exemption from, or in a transaction not subject to, registration under the US Securities Act. Accordingly, each Placing is being made to:

- (i) to investors who are not US Persons or persons acquiring for the account or benefit of US Persons outside the United States in "offshore transactions" within the meaning of, and in reliance on, Regulation S; and
- (ii) US Persons or to investors within the United States or to persons who are acting for the account or benefit of US Persons in either case who have executed and returned a US subscription agreement and are reasonably believed to be qualified institutional buyers

(QIBs) within the meaning of Rule 144A (Rule 144A) under the US Securities Act, who are also qualified purchasers (QPs) as defined in Section 2(a)(51) of the US Investment Company Act, pursuant to a transaction that is exempt from, or not subject to, the registration requirements of the US Securities Act.

The Company has not been and will not be registered under the US Investment Company Act and investors will not be entitled to the benefits of that Act. Persons receiving this Prospectus (including custodians, nominees and trustees) must not forward, distribute, mail or otherwise transmit it in or into the United States or to US Persons or use the United States mails, directly or indirectly, in connection with the Issues.

The Ordinary Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed on 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 Issues or to whom any offer of Ordinary Shares is made pursuant to the Issues 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 on 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 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. In those Relevant Member States which have implemented the AIFM Directive, the Ordinary Shares may only be offered in that Relevant Member State to the extent that shares in the Company may be marketed into the Relevant Member State pursuant to Article 36 of the AIFM Directive or can otherwise be legally marketed in that Relevant Member State in accordance with the AIFM Directive or under the applicable implementing legislation of the Relevant Member State. Each person who initially acquires Ordinary Shares pursuant to the Issues or to whom any offer of Ordinary Shares is made pursuant to the Issues 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.

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 Issues, 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, including in the circumstances described under the sub-heading "Intermediaries" in Part 2 of this Prospectus. The Company, Cantor Fitzgerald, their respective affiliates and others will rely on 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 Issues.

During the period up to but excluding the date on which the Prospectus Directive is implemented in Member States, 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 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 Issues or to whom any offer of Ordinary Shares is made pursuant to the Issues 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 on the truth and accuracy of such deemed representation, warranty and agreement.

#### **Data Protection**

Pursuant to the Data Protection (Jersey) Law 2005, the Company, the Administrator and/or the Registrar may hold personal data (as defined in that law) relating to past and present Shareholders. Such data may be processed, held and used by the Company, the Registrar, the Receiving Agent, the Administrators and/or any other functionary, agent or third party to whom the Company may delegate certain administrative functions in relation to the Company in compliance with the relevant data protection legislation and regulatory requirements of Jersey and/or the United Kingdom for the following purposes:

- (i) verifying the identity of the individual to comply with statutory and regulatory requirements in relation to the prevailing anti-money laundering, anti-terrorism and contributing to the

financing of criminal activities legislation, regulations and procedures in force from time to time in Jersey and/or the United Kingdom;

- (ii) meeting the legal, regulatory, reporting and/or financial obligations of the Company in Jersey, the UK or elsewhere;
- (iii) administering Shareholders' interests in the Company, including maintaining the Company's register of members and effecting the payment of dividends in respect of the Ordinary Shares and generally;
- (iv) carrying out the business of the Company; and
- (v) disclosing personal data to other functionaries, agents or third parties appointed by the Company to operate and/or administer the Company.

Personal data may be retained on record for a period exceeding six years after it is no longer used.

By becoming a registered holder of Ordinary Shares, a person becomes a data subject (as defined in the Data Protection (Jersey) Law 2005) and is deemed to have consented to their personal data being processed, held and used by the Company, the Registrar, the Receiving Agent, the Administrators and/or any other functionary, agent or third party to whom the Company may delegate certain administrative functions in the manner described in the previous paragraph.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS<sup>3,4</sup>

### Initial Placing and Offer

Initial Placing and Offer opens Thursday, 5 March 2015

### **March Closing of Initial Placing and Offer**

Latest time for receipt of Initial Placing commitments and Application Forms 11.00 a.m. on Thursday, 26 March 2015

Admission of, and dealings commence in, Ordinary Shares issued pursuant to Initial Placing and Offer 8.00 a.m. on Thursday, 2 April 2015

CREST accounts credited with Ordinary Shares issued pursuant to Initial Placing and Offer in uncertificated form Thursday, 2 April 2015

Share certificates despatched in respect of Ordinary Shares issued pursuant to Initial Placing and Offer in certificated form By Monday, 13 April 2015

### **April Closing of Initial Placing and Offer**

Latest time for receipt of Initial Placing commitments and Application Forms 11.00 a.m. on Wednesday, 15 April 2015

Admission of, and dealings commence in, Ordinary Shares issued pursuant to Initial Placing and Offer 8.00 a.m. on Wednesday, 22 April 2015

CREST accounts credited with Ordinary Shares issued pursuant to Initial Placing and Offer in uncertificated form Wednesday, 22 April 2015

Share certificates despatched in respect of Ordinary Shares issued pursuant to Initial Placing and Offer in certificated form By Wednesday, 29 April 2015

### Placing Programme

Placing Programme opens Thursday, 23 April 2015

Placing Programme closes Friday, 4 March 2016  
(or any earlier date on which it is fully subscribed)

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<sup>3</sup> The Issues are conditional on, *inter alia*, the resolution authorising the issue of 158,250,000 Ordinary Shares pursuant to the Issues being passed at a general meeting of the Company, which has been convened for 12.30 p.m. on Monday, 30 March 2015.

<sup>4</sup> All times and dates in the "Expected Timetable of Principal Events" and elsewhere in this Prospectus (including the Application Forms) are subject to change and may be extended or brought forward by the Company (with the agreement of Cantor Fitzgerald and the Investment Manager). Any such change will be notified to investors by the Company making an announcement via a Regulatory Information Service.

## ILLUSTRATIVE STATISTICS

### Initial Placing, Offer for Subscription and Placing Programme

Maximum number of Ordinary Shares to be issued pursuant to Initial Placing, Offer for Subscription and Placing Programme 158,250,000

### Initial Placing and Offer for Subscription

Issue price per new Ordinary Share to be issued pursuant to March Closing of Initial Placing and Offer Higher of (i) a premium of 3.0 per cent. of estimated NAV (cum-income) per Ordinary Share and (ii) 90 per cent. of middle market price per Ordinary Share, in each case at close of business on Friday, 27 March 2015

Issue price per new Ordinary Share to be issued pursuant to April Closing of Initial Placing and Offer Higher of (i) a premium of 3.0 per cent. of estimated NAV (cum-income) per Ordinary Share and (ii) 90 per cent. of middle market price per Ordinary Share, in each case at close of business on Thursday, 16 April 2015

### Placing Programme

Minimum issue price per new Ordinary Share Higher of (i) aggregate of estimated prevailing NAV (cum-income) per Ordinary Share and Issue Costs per new Ordinary Share and (ii) 90 per cent. of middle market price per Ordinary Share, in each case 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, INVESTMENT 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 Ross

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

### ***Manager***

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

### ***Investment Manager (and AIFM)***

CQS Asset Management Limited  
(trading as 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 LLP  
20 Castle Terrace  
Edinburgh EH1 2EG

### ***Safekeeping & Cashflow Monitoring Agent***

HSBC Bank PLC  
8 Canada Square  
London E14 5HQ

### ***Registrar***

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

### ***Receiving Agent for Offer***

Computershare Investor Services PLC  
Corporate Actions Projects  
Bristol BS99 6AH

**PART 1**  
**NEW CITY HIGH YIELD FUND LIMITED**  
**(TO BE RENAMED CQS NEW CITY HIGH YIELD FUND LIMITED<sup>5</sup>)**

**Introduction**

The Company 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 and, under the Investment Management Agreement, CQS has delegated, with the agreement of the Board, that function to CQS Asset Management Limited (trading as New City Investment Managers). The Company has appointed New City Investment Managers as its AIFM.

As at 3 March 2015, the Company had total assets (unaudited) of £206.9 million and borrowings, in the form of short-term bank debt, of £20.0 million and its market capitalisation was £195.5 million. As at 3 March 2015, the unaudited NAV per Ordinary Share was 58.94p.

As a result of the Company's performance and the consistently strong rating of the Ordinary Shares, since its launch in March 2007 the Company has issued, on a non-pre-emptive and NAV-accretive basis, further Ordinary Shares on numerous occasions through placings, offers for subscription and tap issues. In particular, the Company has increased its issued share capital by 29.6 per cent. since 1 January 2014, principally through a placing programme. All of those issues took place at prices representing a weighted average premium of 3.6 per cent. to the NAV (cum-income) per Ordinary Share prevailing at the time of the relevant issue. Over the period from 1 January 2014 to 3 March 2015, the Ordinary Shares traded at an average premium to their NAV (cum-income) of 6.0 per cent.<sup>6</sup> and, as at 3 March 2015, were trading at an average premium to their NAV (cum-income) of 5.4 per cent.<sup>6</sup>, indicating continuing demand for the Ordinary Shares in the market.

In view of the continuing demand for the Ordinary Shares, the Directors have convened a general meeting of the Company for Monday, 30 March 2015 at which a resolution will be proposed to authorise the Company to issue for cash, on a non-pre-emptive basis, up to 158,250,000 new Ordinary Shares (equivalent to 50 per cent. of the Ordinary Shares in issue at the date of this Prospectus). Subject to that resolution being passed, it is intended to issue new Ordinary Shares pursuant to the Initial Placing, the Offer and the Placing Programme. The Issues are 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 Directors believe that the principal benefits of the Issues are as follows:

- 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;

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<sup>5</sup> A special resolution to change the name will be proposed at a general meeting of the Company which has been convened for 12.30 p.m. on Monday, 30 March 2015.

<sup>6</sup> Source: Morningstar.

- will increase the size of the Company, which should make it more attractive to a broader range of investors as well as spreading its operating costs over a larger capital base which should lead to a small reduction in the Company's ongoing charges per Ordinary Share; and
- should continue to improve liquidity in the market for the Ordinary Shares due to the increasing number of Ordinary Shares in issue;
- the Initial Placing and the Offer will allow Shareholders and other investors to acquire Ordinary Shares at a premium of 3.0 per cent. to their NAV (cum-income), which is lower than the weighted average premium at which new Ordinary Shares were issued, and the average premium at which the Ordinary Shares traded, over the period from 1 January 2014 to 3 March 2015;
- the Offer has been structured so that Shareholders and other investors can acquire new Ordinary Shares for their ISAs in both the 2014/2015 and 2015/2016 tax years; and
- the Placing Programme should enhance the Company's ability to issue new Ordinary Shares tactically to manage the premium at which the Ordinary Shares trade.

### **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 various periods ended 3 March 2015 is shown in the following table.

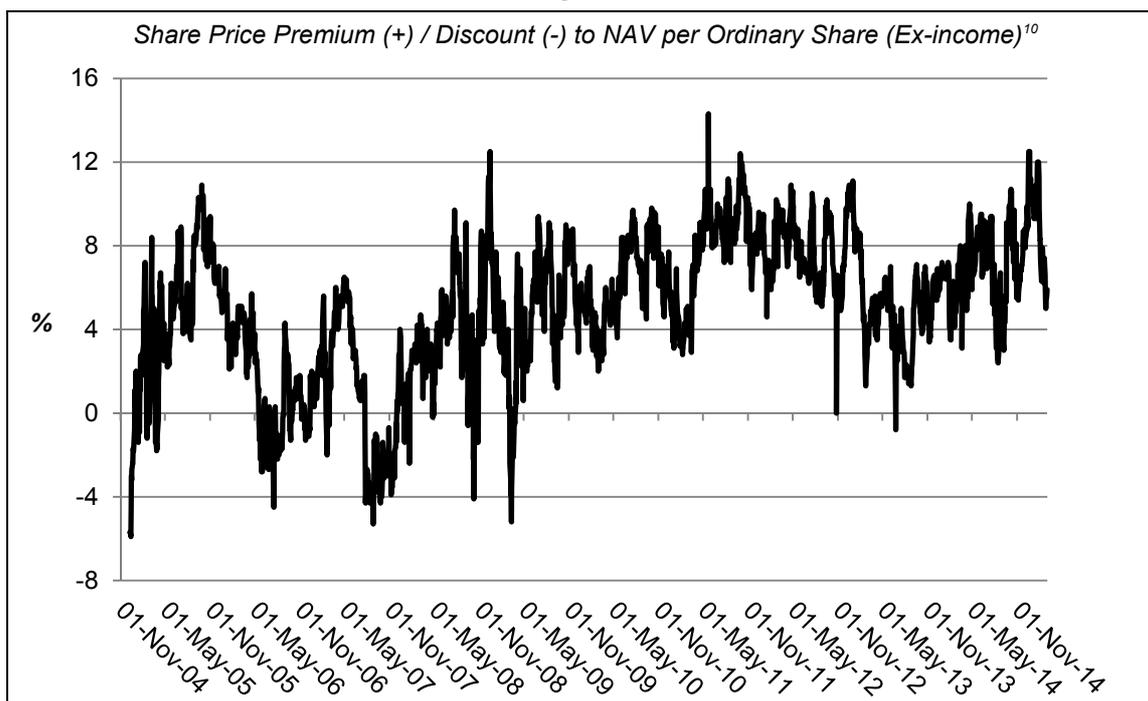
	<i>To 3 March 2015<sup>7</sup></i>				
	<i>6 Months</i>	<i>1 Year</i>	<i>3 Years</i>	<i>5 Years</i>	<i>From 1 November 2004</i>
NAV total return per share (%)	(1.3)	3.0	28.2	56.7	150.6
Share price total return (%)	(0.1)	2.1	21.9	57.3	169.9

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).

<sup>7</sup> Source: Thomson Reuters Datastream.

	Financial Year Ended 30 June								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Aggregate dividends paid (p)	2.80	2.95	3.57	3.65	3.75	3.87	4.01	4.10	4.21
Increase in dividends paid relative to previous year (%)	-	+5.4	+21.0	+2.2	+2.7	+3.2	+3.6	+2.2	+2.7
Dividend yield (annualised <sup>8</sup> ) (%)	5.4	5.5	6.8	8.1	6.7	6.1	6.8	6.7	6.5

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)<sup>9</sup> over the period from 1 November 2004 to 3 March 2015 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 Issues 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.

<sup>8</sup> Based on the Ordinary Share price at the end of the financial year.

<sup>9</sup> Prior to June 2008 (and in accordance with industry practice), the Company only calculated the NAV per Ordinary Share (ex-income) on a daily basis.

<sup>10</sup> Source: Morningstar.

### **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 19,279,917 new Ordinary Shares (equivalent to 6.1 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 2015. A resolution will be proposed at a general meeting of the Company, which has been convened for 12.30 p.m. on Monday, 30 March 2015, to authorise the Directors to issue for cash, on a non-pre-emptive basis, up to 158,250,000 new Ordinary Shares (equivalent to 50 per cent. of the Ordinary Shares in issue at the date of this Prospectus) pursuant to the Issues.

The Company will not issue any new Ordinary Shares pursuant to the Issues at a price per share that is less than the aggregate of the estimated prevailing NAV (cum-income) per Ordinary Share 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 43,681,691 Ordinary Shares (equivalent to 13.8 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 2015. 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 (cum-income) 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 in respect of each financial year of the Company normally consisting of four interim dividends, of which the fourth interim dividend is larger than the preceding three. 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 67 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 53 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 Proxama PLC and Mi-Pay Group plc.
- **Allister Carey**, age 64 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 60 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 is also on the board of City Natural Resources High Yield Trust plc and a number of other companies.
- **Graeme Ross**, age 54 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.

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 Asset Management Limited (trading as 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 2014, approximately US\$14 billion assets under management (including mandates with discretionary management, sub-investment discretionary management, investment advice, collateral management and intermediation), becoming a CQS Group company. On becoming a member of the CQS Group, NCIM's rights and obligations under the investment management agreement between the Company and NCIM were 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 3 March 2015, NCIM had assets under management of £379.8 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 Manager and 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, payable monthly in arrears, of 0.8 per cent. per annum of the Company's Adjusted Total Assets up to £200 million and 0.7 per cent. per annum thereafter. The Investment Management Agreement may be terminated by any of the Company, the Manager or the Investment Manager giving to the other parties not less than 12 months' notice.

The Investment Manager has been granted permission to act as an AIFM under the AIFM Directive and was appointed as the Company's AIFM with effect from 22 July 2014. CQS is responsible for any fee payable to NCIM, including in its capacity as the Company's AIFM.

Further information on the Manager 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 £31,000 per annum (index-linked), including the director's fee payable to Graeme Ross. The UK Administrator is currently entitled to a fixed fee of £60,000 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 £81,000 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.

### **Safekeeping and Cashflow Monitoring Agent**

The Company and the AIFM have appointed HSBC Bank plc to provide safekeeping of the Company's assets and cashflow monitoring and oversight services and the Safekeeping and Cashflow Monitoring Agent has assumed its functions and responsibilities in accordance with the FCA Rules implementing the AIFM Directive as they apply to the Safekeeping and Cashflow Monitoring Agent in the provision of such services. The principal business activity of the Safekeeping and Cashflow Monitoring Agent is the provision of financial services, including trustee and depositary services.

Under the Services Agreement, the Safekeeping and Cashflow Monitoring Agent is entitled to fees for its cashflow monitoring and oversight services of 0.03 per cent. per annum on the first £100 million of the Company's NAV, 0.02 per cent. per annum on the next £100 million of NAV, 0.01 per cent. per annum thereafter. The fees payable to the Safekeeping and Cashflow Monitoring Agent for its custody services are dependent on the aggregate value of the Company's assets and the number and nature of transactions undertaken by the Company.

Further information on the Safekeeping and Cashflow Monitoring Agent and details of the Services Agreement are set out in paragraph 7.3 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 2014, 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 Manager's and 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 Manager, 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 INITIAL PLACING, OFFER FOR SUBSCRIPTION AND PLACING PROGRAMME

#### Introduction

The Company intends to issue up to 158,250,000 Ordinary Shares (equivalent to 50 per cent. of the issued share capital of the Company as at the date of this Prospectus) pursuant to the Initial Placing, the Offer and the Placing Programme.

The Issues have not been, and will not be, underwritten and, accordingly, the maximum number of new Ordinary Shares available under the Issues should not be taken as an indication of the final number of new Ordinary Shares that will be issued pursuant to them. Therefore, the number of new Ordinary Shares actually issued pursuant to the Issues may be less than the 158,250,000 Ordinary Shares available pursuant to them.

The net proceeds of any issue of new Ordinary Shares pursuant to the Issues will be invested in investments consistent with the Company's investment objective and policy.

#### Background to, and Reasons for, the Issues

Over the period from the Company's launch on 7 March 2007 to 3 March 2015, the Ordinary Shares traded at an average premium to their NAV (ex-income)<sup>11</sup> of 5.6 per cent.<sup>12</sup> and at a premium on 94.1 per cent.<sup>12</sup> of the dealing days in that period (the days on which the Ordinary Shares traded at a discount occurred mainly during the financial crisis of 2007/2008). The Directors believe that the continuing demand for the Ordinary Shares reflected in their premium rating is largely attributable to the following:

- **High dividend yield and progressive dividend policy:** The Company has increased the annual dividends (payable gross quarterly) in respect of each financial year since its launch in 2007 and has significant revenue reserves (0.82 times the annual dividend paid in respect of its financial year ended 30 June 2014).

Over the period from the Company's launch to 3 March 2015, the average dividend yield on the Ordinary Shares was 7.0 per cent.<sup>12</sup>. As at 3 March 2015, the yield on the Ordinary Shares was 6.8 per cent.<sup>12</sup>, making the Company one of the highest yielding London-listed investment companies out of a universe of more than 400 companies.

- **Focus on growing income and preserving capital:** The Company's overriding aim is to grow its income while preserving its capital. Accordingly, the Investment Manager's focus is on quality issuers with stable and reliable cashflows.
- **Strong investment performance:** Compared to the Investment Association's global bond sector, on a NAV total return basis, as at 3 March 2015, the Company ranked 14<sup>th</sup> out of 69 funds since its launch in 2007, 3<sup>rd</sup> out of 96 over the last five years and 7<sup>th</sup> out of 119 funds over the last three years<sup>12</sup>.

- **Flexible investment mandate with diversified sources of revenue and some inflation protection:** The Investment Manager is not benchmark constrained and has freedom to invest in a diverse range of sectors, geographies, asset classes (bonds, preference shares, floating rate notes, convertibles and equities) and issuers.

The Investment Portfolio has a degree of inflation protection directly through floating rate notes (2.9 per cent. of the Investment Portfolio as at 3 March 2015) and convertibles and equities (together, 12.8 per cent. of the Investment Portfolio as at 3 March 2015) and

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<sup>11</sup> Prior to June 2008 (and in accordance with industry practice), the Company only calculated the NAV per Ordinary Share (ex-income) on a daily basis.

<sup>12</sup> Source: Morningstar.

indirectly through non-sterling exposure (29.3 per cent. of the Investment Portfolio as at 3 March 2015). The shorter duration of high yielding bonds held by the Company also means that interest rate risk is lower compared to funds with investment grade bond portfolios.

In response to 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, since its launch the Company has issued, on a non-pre-emptive and NAV-accretive basis, further Ordinary Shares equivalent to approximately 150 per cent. of its issued share capital at launch.

In particular, the Company implemented a placing programme in January 2014 to issue up to 61,059,834 Ordinary Shares (equivalent to 25 per cent. of its then issued share capital) on a non-pre-emptive basis. Ordinary Shares were issued on a number of occasions under that placing programme, which was closed in November 2014 as all the Ordinary Shares available for issue pursuant to it had been issued.

At the Company's annual general meeting in December 2014, Shareholders renewed the Directors' standard authority to issue, on a non-pre-emptive basis, Ordinary Shares equivalent to 10 per cent. of the Ordinary Shares in issue at the date of the annual general meeting. Since then, the Company has issued 11,250,000 Ordinary Shares, equivalent to 3.7 per cent. of the Company's issued share capital at the time that the standard disapplication authority was renewed.

The issues of Ordinary Shares referred to in the previous two paragraphs took place at prices representing a weighted average premium of 3.6 per cent. to the NAV (cum-income) per Ordinary Share prevailing at the time of the relevant issue. Over the period from 1 January 2014 to 3 March 2015, the Ordinary Shares traded at an average premium to their NAV (cum-income) of 6.0 per cent.<sup>13</sup> and, as at 3 March 2015, were trading at a premium of 5.4 per cent. to their NAV (cum-income)<sup>13</sup>.

In view of the continuing demand for the Ordinary Shares, the Directors believe it is desirable to retain the flexibility to issue additional Ordinary Shares on a non-pre-emptive and NAV-accretive basis. However, under FSMA and the Prospectus Rules, the Company may not issue, over a period of 12 months, Ordinary Shares representing 10 per cent. or more of the number already issued and admitted to trading without the issue of a prospectus. As a result of issues of Ordinary Shares already made in 2015, the scope for further issues has now become limited and in order to preserve the flexibility to issue additional Ordinary Shares this Prospectus is being published to enable the issue of further Ordinary Shares, equivalent to up to 50 per cent. of the Ordinary Shares in issue at the date of this Prospectus, on a non-pre-emptive and NAV-accretive basis through the Initial Placing and Offer for Subscription and subsequently through the Placing Programme.

Whilst 50 per cent. is higher than the disapplication of pre-emption rights authority ordinarily recommended by corporate governance best practice and any use of the authority will dilute existing Shareholders' voting rights, the Directors believe that taking a larger than normal authority is justified in the present circumstances. The Directors intend to issue Ordinary Shares pursuant to the Issues when they consider that it is in the best interests of existing 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 Issues at a price per share that is less than the aggregate of the estimated prevailing NAV (cum-income) per Ordinary Share 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.

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<sup>13</sup> Source: Morningstar.

## Benefits of the Issues

The Directors believe that the principal benefits of the Issues are as follows:

- 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;
  - will increase the size of the Company, which should make it more attractive to a broader range of investors as well as spreading its operating costs over a larger capital base which should lead to a small reduction in the Company's ongoing charges per Ordinary Share; and
  - should continue to improve liquidity in the market for the Ordinary Shares due to the increasing number of Ordinary Shares in issue;
- the Initial Placing and Offer will allow Shareholders and other investors to acquire Ordinary Shares at a premium of 3.0 per cent. to their NAV (cum-income), which is lower than:
  - the weighted average premium of 3.6 per cent.<sup>14</sup> at which new Ordinary Shares were issued; and
  - the average premium of 6.0 per cent.<sup>14</sup> at which the Ordinary Shares traded; over the period from 1 January 2014 to 3 March 2015;
- the Offer has been structured so that Shareholders and other investors can acquire new Ordinary Shares for their ISAs in both the 2014/2015 and 2015/2016 tax years; and
- the Placing Programme should enhance the Company's ability to issue new Ordinary Shares tactically to manage the premium at which the Ordinary Shares trade.

## Initial Placing and Offer for Subscription

### Introduction

The Initial Placing and the Offer, which are not underwritten, will open on 5 March 2015 and will have two closing dates:

- an initial closing date of 11.00 a.m. on Thursday, 26 March 2015 (the "**March Closing**"); and
- a final closing date of 11.00 a.m. on Wednesday, 15 April 2015 (the "**April Closing**").

For tax purposes, Ordinary Shares acquired pursuant to the Initial Placing or Offer will be treated as having been acquired:

- in respect of the March Closing, in the 2014/2015 tax year; and
- in respect of the April Closing, in the 2015/2016 tax year.

Investors may apply for Ordinary Shares to be issued only in respect of the March Closing or the April Closing or for Ordinary Shares to be issued in respect of both the March Closing and the April Closing.

The maximum number of Ordinary Shares that may be issued pursuant to the Initial Placing and Offer will be:

- in respect of the March Closing, 158,250,000 Ordinary Shares; and
- in respect of the April Closing, such number of Ordinary Shares as shall equal 158,250,000 Ordinary Shares less the number of Ordinary Shares issued pursuant to the March Closing.

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<sup>14</sup> Source: Morningstar

### ***Initial Issue Price***

The price at which new Ordinary Shares will be issued pursuant to the Initial Placing and Offer will be:

- in respect of the March Closing, the higher of:
  - a premium of 3.0 per cent. to the estimated NAV (cum-income) per Ordinary Share; and
  - 90 per cent. of the middle market price of the Ordinary Shares; at the close of business on Friday, 27 March 2015; and
- in respect of the April Closing, the higher of:
  - a premium of 3.0 per cent. to the estimated NAV (cum-income) per Ordinary Share; and
  - 90 per cent. of the middle market price of the Ordinary Shares; at the close of business on Thursday, 16 April 2015.

For illustrative purposes only, if the Initial Issue Price had been calculated as at the close of business on 3 March 2015, the Initial Issue Price would have been 60.7p, being a premium of 3.0 per cent. to the estimated NAV (cum-income) per Ordinary Share as at that date.

The Initial Issue Price will be announced through a Regulatory Information Service not later than:

- in respect of the March Closing, Monday, 30 March 2015; and
- in respect of the April Closing, Friday, 17 April 2015.

### ***Initial Placing***

Pursuant to the Placing Agreement, Cantor Fitzgerald has agreed to use its reasonable endeavours to procure commitments to subscribe for Ordinary Shares at the relevant Initial Issue Price on the terms and subject to the conditions set out in the Placing Agreement and this Prospectus and is seeking such commitments from institutional investors, private client investment managers and private client brokers.

The minimum subscription amount for new Ordinary Shares pursuant to the Initial Placing (in respect of each closing date) is £50,000. Applications to subscribe for Ordinary Shares pursuant to the Initial Placing will only be accepted on the terms and subject to the conditions set out in this Prospectus, including the terms and conditions of the Initial Placing set out in Part 8 of this Prospectus.

Details of the Placing Agreement are set out in paragraph 8.3 of Part 6 of this Prospectus.

### ***Offer for Subscription***

The minimum subscription amount for new Ordinary Shares pursuant to the Offer (in respect of each closing date) is £1,000 and, if the application is for a higher amount, the amount must be a multiple of £1,000. Applications to subscribe for Ordinary Shares pursuant to the Offer will only be accepted on the terms and subject to the conditions set out in this Prospectus, including the terms and conditions of the Offer set out in Part 9 of this Prospectus.

The procedure for applying for Ordinary Shares pursuant to the Offer is set out in Part 10 of this Prospectus. Application Forms for use in connection with the March Closing and the April Closing are set out in Parts 11 and 12, respectively, of this Prospectus.

Subject to the following two paragraphs, payment must be made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of either of those companies. Such cheques or banker's drafts must bear the appropriate United Kingdom sort code in the top right hand corner. Cheques, which must be drawn on the personal account on the individual investor where they have a sole or joint title to the funds (the account name should be the same as that shown on the Application Form), must be made payable to "CIS PLC RE: New City High Yield Fund Limited" and crossed "A/C Payee". Save for building society cheques, third party cheques will

not be accepted. In the case of building society cheques or banker's drafts, the building society or bank issuing the payment must enter the name, address and account number of the person whose account is being debited on the reverse of the cheque or banker's draft and adds its stamp.

Applicants may send subscription moneys by electronic bank transfer (CHAPS), provided payment is made for value by 11.00 a.m. on Thursday, 26 March 2015 (in respect of the March Closing) or Wednesday, 15 April 2015 (in respect of the April Closing). Applicants wishing to pay their subscription moneys in this way must contact Computershare Investor Services PLC by email at [NewCityOFS@computershare.co.uk](mailto:NewCityOFS@computershare.co.uk) for full bank details or telephone the investor helpline (details of which are on the Application Form) for further information. The Receiving Agent will then provide the applicant with a unique reference number which must be used when sending payment.

Alternatively, applicants may choose to settle via CREST (i.e. DVP), but they will need to match their instructions to Computershare's participant account 8RA20 by no later than 1.00 p.m. on Tuesday, 31 March 2015 (in respect of the March Closing) or Monday, 20 April 2015 (in respect of the April Closing), allowing for the delivery and acceptance of Ordinary Shares to be made against payment of the Issue Price, following the CREST matching criteria set out in the Application Form. A completed Application Form must still also be returned.

**To be valid, a completed Application Form accompanied (where appropriate) by a cheque or banker's draft for the full amount due must be posted to Computershare Investor Services PLC, Corporate Action Projects, Bristol BS99 6AH, or (during normal business hours only) delivered by hand to Computershare, Investor Services PLC, The Pavillions, Bridgewater Road, Bristol BS13 8AE, so as to be received as soon as possible and, in any event:**

- in respect of the March Closing (i.e. applications using the Application Form set out in Part 11 of this Prospectus), by 11.00 a.m. on Thursday, 26 March 2015; and
- in respect of the April Closing (i.e. applications using the Application Form set out in Part 12 of this Prospectus), by 11.00 a.m. on Wednesday, 15 April 2015.

**Investors who apply for Ordinary Shares pursuant to the Offer using more than one Application Form must submit a separate cheque or banker's draft for the amount due in respect of each Application Form.**

### ***Conditions of Initial Placing and Offer for Subscription***

The Initial Placing and Offer are conditional on, *inter alia*:

- the Placing Agreement becoming unconditional (save only for Admission) and neither the Placing Agreement nor Cantor Fitzgerald's obligations thereunder having been terminated in accordance with the terms of the Placing Agreement prior to:
  - in respect of the March Closing, Thursday, 2 April 2015 (or such later date, not being later than Friday, 3 April 2015, as the Company and Cantor Fitzgerald may agree); and
  - in respect of the April Closing, Wednesday, 22 April 2015 (or such later date, not being later than Thursday, 30 April 2015, as the Company and Cantor Fitzgerald may agree); and
- in respect of:
  - applications to participate in the March Closing of the Offer, Admission of the new Ordinary Shares to be issued pursuant to that Offer by 8.00 a.m. on Thursday, 2 April 2015 (or such later date, not being later than Friday, 3 April 2015 as the Company, and Cantor Fitzgerald may agree); or
  - applications to participate in the April Closing of the Offer, Admission of the new Ordinary Shares to be issued pursuant to that Offer by 8.00 a.m. on Wednesday, 22 April 2015 (or such later time, not being later than Thursday, 30 April 2015, as the Company and Cantor Fitzgerald may agree).

## **Intermediaries**

In connection with the Offer, Cantor Fitzgerald will appoint certain Intermediaries to market the Ordinary Shares to potential retail investors in the United Kingdom. The Intermediaries who have been appointed by Cantor Fitzgerald prior to the date of this Prospectus, and who are authorised by the Company at the date of this Prospectus to use this Prospectus in connection with the offering of Ordinary Shares pursuant to the Offer, are:

<i>Name</i>	<i>Address</i>
Alliance Trust Savings Limited,	PO Box 164, 8 West Marketgait, Dundee DD1 9YP
Interactive Investor Trading Limited	Standon House, 21 Mansell Street, London E1 8AA

Further Intermediaries may be appointed by Cantor Fitzgerald after the date of this Prospectus.

Each Intermediary has agreed, or will on appointment agree, to the Intermediaries' Terms and Conditions, which regulate, *inter alia*, the conduct of the Intermediaries in relation to the offering of Ordinary Shares on market standard terms and provide for the payment of commission to any such Intermediaries that elect to receive commission from Cantor Fitzgerald.

Each Intermediary will submit a single Application Form pursuant to the Offer in its own name, as nominee, for the aggregate number of Ordinary Shares procured by it via subscriptions from underlying retail investors.

Each applicant who applies for Ordinary Shares via an Intermediary must comply with the appropriate money laundering checks required by the relevant Intermediary. Where an application is not accepted or there are insufficient Ordinary Shares available to satisfy an application in full (due to scaling back of subscriptions or otherwise), the relevant Intermediary will be obliged to refund the applicant as required and all such refunds shall be made without interest. Neither the Company nor Cantor Fitzgerald accepts any responsibility with respect to the obligation of the Intermediaries to refund moneys in such circumstances.

Pursuant to the Intermediaries' Terms and Conditions, the Intermediaries have undertaken to make payment on their own behalf for the consideration for any Ordinary Shares subscribed pursuant to the Offer by means of the CREST system against delivery of the Ordinary Shares.

The publication of this Prospectus and any actions of the Company, Cantor Fitzgerald, the Intermediaries or other persons in connection with the Offer should not be taken as any representation or assurance as to the basis on which the number of Ordinary Shares to be offered pursuant to the Offer or allocations between applications in the Offer (from Intermediaries or otherwise) will be determined and any such actions or statements are hereby disclaimed by the Company, Cantor Fitzgerald and the Intermediaries.

## **General**

The number of Ordinary Shares to be issued pursuant to an application under the Initial Placing or the Offer will be calculated by dividing the minimum subscription amount received in respect of that application (expressed in pounds sterling) by the relevant Initial Issue Price (expressed in pounds sterling) and rounding the resulting amount down to the nearest whole number. Accordingly, fractions of Ordinary Shares will not be issued.

To the extent that the subscription moneys received by the Company in relation to any application for new Ordinary Shares pursuant to the Offer exceed the aggregate value, at their Issue Price, of the Ordinary Shares issued pursuant to such application, the balance of such sum will be returned by cheque to the applicant concerned, save that amounts, otherwise returnable, of £5.00 or less will be retained for the benefit of the Company.

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 apply for Ordinary Shares pursuant to the Initial Placing or the Offer.

New Ordinary Shares issued pursuant to the Initial Placing and the Offer 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 minimum subscription amount for new Ordinary Shares pursuant to the Initial Placing (in respect of each closing date) will be £50,000, whilst the minimum subscription amount for new Ordinary Shares pursuant to the Offer (in respect of each closing date) will be £1,000. Fractions of Ordinary Shares will not be issued.

## **The Placing Programme**

### ***Introduction***

The Placing Programme, which is not underwritten, will open on Thursday, 23 April 2015 and will close on Friday, 4 March 2016 (or any earlier date on which it is fully subscribed). The maximum number of Ordinary Shares that may be issued pursuant to the Placing Programme is such number of Ordinary Shares as shall equal 158,250,000 Ordinary Shares less the aggregate number of Ordinary Shares issued pursuant to the Initial Placing and Offer. The minimum subscription amount for new Ordinary Shares under the Placing Programme will be £10,000. Fractions of Ordinary Shares will not be issued.

Members of the public are not eligible to participate in the Placing Programme.

### ***Placing Programme Price***

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 (cum-income) per Ordinary Share 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.

### ***Placings***

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

- made available at the Placing Programme Price, on an *ad hoc* basis, by tap issues 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, private client brokers and other qualified investors (as defined in section 86(7) of FSMA) at the Placing Programme Price through a book build exercise conducted by Cantor Fitzgerald as agent for the Company.

The minimum subscription amount for new Ordinary Shares pursuant to the Placing Programme will be, on any occasion, £10,000.

The issue of new Ordinary Shares pursuant to the Placing Programme will be at the discretion of the Directors. Issues may take place at any time whilst the Placing Programme is open. 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 Programme Price for that issue.

### ***Conditions of Placing Programme***

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

- the Placing Agreement becoming and remaining unconditional (save only for Admission) and neither the Placing Agreement nor Cantor Fitzgerald's obligations thereunder having been terminated in accordance with the terms of the Placing Agreement prior to Admission; and
- Admission of the relevant Ordinary Shares by 8.00 a.m. on such date as the Company and Cantor Fitzgerald may agree in relation to such issue (or such later date, not being later than Friday, 4 March 2016, as the Company and Cantor Fitzgerald may agree).

## **General**

Fractions of Ordinary Shares will not be issued pursuant to the Placing Programme.

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.

## **Scaling Back**

In the event that commitments or applications are received for more than the number of Ordinary Shares available for issue pursuant to any Issue, Cantor Fitzgerald (after consultation with the Directors and the Investment Manager) will scale back such commitments and applications in such manner as it, in its absolute discretion, considers appropriate. To the extent that any commitment or application is scaled back, the relevant subscription moneys will be returned without interest at the risk of the applicants entitled thereto, in each case to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

## **Dealings and Settlement**

Applications will be made to the UK Listing Authority for the new Ordinary Shares issued pursuant to the Issues 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. It is anticipated that dealings in new Ordinary Shares issued pursuant to:

- the March Closing of the Initial Placing and the Offer will commence on Thursday, 2 April 2015;
- the April Closing of the Initial Placing and the Offer will commence on Wednesday, 22 April 2015; and
- the Placing Programme will commence two Business Days after their issue.

Ordinary Shares issued pursuant to the Issues will be issued fully paid and in registered form, and may be issued in uncertificated form or in certificated form. Ordinary Shares issued in uncertificated form will be credited to the relevant CREST accounts on a DVP basis on the date on which dealings in such shares commence on the Main Market provided that the relevant matching instruction has been input in the CREST system. Share certificates in respect of new Ordinary Shares issued in certificated form are expected to be despatched within five Business Days after the date on which dealings in such shares commence on the Main Market. 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.

## **Overseas Investors**

The availability of new Ordinary Shares pursuant to the Issues 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 any of the Issues should read the section headed "Selling Restrictions" on pages 30 to 32 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 (including Cantor Fitzgerald the Registrar and the Receiving Agent), 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 Initial Placing or 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 acquired pursuant to the Offer are eligible for inclusion in an ISA.

New Ordinary Shares will be eligible for inclusion in a SIPP or SSAS irrespective of whether they are acquired pursuant to any of the Issues 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 3 March 2015.

#### 2. Overview of the Investment Portfolio

At the close of business on 3 March 2015, the Investment Portfolio comprised 139 investments with an aggregate value of £198.3 million. In addition, the Company had cash balances of £4.8 million.

The following tables analyse the Investment Portfolio at the close of business on 3 March 2015 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	149,831	75.6
Preference shares	23,130	11.7
Equity shares	19,466	9.8
Convertibles	5,857	2.9
<b>Total</b>	<b>198,284</b>	<b>100.0</b>

<i>Quotation</i>	<i>Value (£'000)</i>	<i>% of Investment Portfolio</i>
Listed/quoted on a recognised investment exchange	198,229	100.0
Unquoted	55	0.0
<b>Total</b>	<b>198,284</b>	<b>100.0</b>

<i>Currency</i>	<i>Value (£'000)</i>	<i>% of Investment Portfolio</i>
Sterling	140,127	70.7
US dollar	29,711	15.0
Euro	13,973	7.1
Australian dollar	7,788	3.9
Swedish krona	4,551	2.3
Norwegian krone	904	0.5
Swiss franc	665	0.3
Canadian dollar	565	0.2
<b>Total</b>	<b>198,284</b>	<b>100.0</b>

<i>Geographical Location</i>	<i>Value (£'000)</i>	<i>% of Investment Portfolio</i>
UK	147,206	74.2
North America	28,521	14.4
Continental Europe	15,483	7.8
Australia	7,074	3.6
<b>Total</b>	<b>198,284</b>	<b>100.0</b>

<i>Sector</i>	<i>Value (£'000)</i>	<i>% of Investment Portfolio</i>
Financials	91,419	46.1
Consumer goods	27,256	13.7
Oil and gas	21,222	10.7
Industrials	20,085	10.1
Consumer services	16,935	8.5
Utilities	8,196	4.1
Telecommunications	5,728	2.9
Basic materials	5,378	2.7
Healthcare	1,988	1.0
Technology	79	0.0
<b>Total</b>	<b>198,284</b>	<b>100.0</b>

### 3. 25 Largest Investments

At the close of business on 3 March 2015, the Company's 25 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>15</sup></i>	<i>Sector</i>	<i>Market Value (£'000)</i>	<i>Yield<sup>16</sup> (%)</i>	<i>% of Investment Portfolio</i>
Phoenix Life 7.25% 25/03/2021	UK	FRN	Financials	6,501	7.1	3.3
Brit Insurance 6.625% 09/12/2030	UK	Bond	Financials	6,416	6.3	3.2
Galaxy Finco 7.875% 15/11/2021	Jersey	Bond	Financials	5,523	7.4	2.8
Balfour Beatty 10.75%	UK	CCP	Industrials	5,200	8.1	2.6
Matalan Finance 8.875% 01/06/2020	UK	Bond	Consumer Goods	5,159	7.7	2.6
REA Finance 9.5% 31/12/2017	Netherlands	Bond	Consumer Goods	4,877	9.1	2.5
General Accident 8.875%	UK	CCP	Financials	5,032	5.7	2.5

<sup>15</sup> "CCP" means convertible cumulative preference shares. "FRN" means floating rate notes.

<sup>16</sup> Annual income divided by market price as at the close of business on 3 March 2014.

<i>Investee Company</i>	<i>Country of Incorporation</i>	<i>Nature of Investment<sup>15</sup></i>	<i>Sector</i>	<i>Market Value (£'000)</i>	<i>Yield<sup>16</sup> (%)</i>	<i>% of Investment Portfolio</i>
British Airways Finance 6.75% 12/05/2014	UK	CCP	Industrials	4,870	5.4	2.5
Antares Energy 10% 30/10/2023	Australia	Bond	Oil & Gas	4,608	10.8	2.3
Newriver Retail	Guernsey	Equity	Financials	4,238	3.2	2.1
Lloyds Banking Group 7.625% 27/06/2023	UK	Bond	Financials	4,128	6.1	2.1
Moto Finance 10.25% 15/03/2017	UK	Bond	Consumer Goods	4,069	9.5	2.1
Barclays Bank 7% 15/09/2019	UK	Bond	Financials	4,052	6.8	2.0
Investec Bank 9.625% 17/02/2022	UK	Bond	Financials	3,582	8.1	1.8
Cable & Wireless 8.625% 25/03/2019	UK	Bond	Telecommunications	3,252	8.6	1.6
Standard Life Investment Property Income Trust	UK	Bond	Financials	3,219	3.8	1.6
House of Fraser 8.875% 15/08/2018	UK	Bond	Consumer Goods	3,192	8.3	1.6
Unique Pub Finance 7.395% 28/03/2024	UK	Bond	Consumer Services	3,170	7.2	1.6
PizzaExpress Financing 8.625% 01/08/2022	UK	Bond	Consumer Services	2,942	6.4	1.5
Bristol & West 8.125%	UK	CCP	Financials	2,912	6.3	1.5
Lloyds Banking Group 7.875% 27/06/2029	UK	Bond	Financials	2,906	7.5	1.5
Greencoat UK Wind	UK	Equity	Utilities	2,717	3.7	1.4
REA Holding 9%	UK	CCP	Consumer Goods	2,695	7.4	1.4
National Westminster 11.5% 12/49	UK	Bond	Financials	2,640	1.1	1.3
Bibby 7.5% 15/06/2021	UK	Bond	Oil & Gas	2,617	4.4	1.3
<b>Total</b>				<b>100,517</b>		<b>50.7</b>

## **PART 4**

### **FINANCIAL INFORMATION**

#### **1. Introduction**

- 1.1 The Company's auditors are KPMG LLP, 20 Castle Terrace, Edinburgh EH1 2EG, which is a recognised auditor and a member of the Institute of Chartered Accountants in England and Wales, having first been appointed as the Company's auditors on 5 December 2013. Prior to KPMG LLP's appointment, the Company's auditors were KPMG Audit Plc, 20 Castle Terrace, Edinburgh EH1 2EG, a recognised auditor and a member of the Institute of Chartered Accountants in England and Wales. The change of auditors resulted from KPMG Audit Plc having instigated an orderly wind down of its business.
- 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 2012, 30 June 2013 and 30 June 2014 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 2012, 30 June 2013 and 30 June 2014**

##### **2.1 Introduction**

Unless otherwise indicated, the historical information of the Company for the financial years ended 30 June 2012 and 30 June 2013 set out, or incorporated by reference, in this paragraph 2 was audited by KPMG Audit Plc and the historical information of the Company for the financial year ended 30 June 2014 set out, or incorporated by reference, in this paragraph 2 was audited by KPMG 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 Plc or KPMG LLP (as appropriate) 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 2012, 30 June 2013 and 30 June 2014, 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.

	As at 30 June		
<i>Capital</i>	2012	2013	2014
Investments at fair value (£'000)	127,544	157,714	194,441
Current assets (£'000)	4,794	4,695	5,027
Current liabilities (£'000)	(8,189)	(14,560)	17,607
Net assets (£'000)	124,149	147,849	181,861
NAV per Ordinary Share (p)	56.36	60.53	62.41
Number of Ordinary Shares in issue	220,267,581	244,239,339	291,405,541
	Year Ended 30 June		
<i>Revenue</i>	2012	2013	2014
Investment income (£'000)	11,916	14,176	14,269
Total expenses charged to revenue (£'000)	(1,240)	(1,434)	1,604
Profit before finance costs and tax (£'000)	10,676	12,742	12,665
Profit before tax (£'000)	10,519	12,546	12,454
Profit for the year (£'000)	19,456	12,386	12,272
Transfer to revenue reserve (£'000)	2,105	3,206	1,765
Earnings per Ordinary Share (p)	4.89	5.42	4.76
Dividends per Ordinary Share			
Recognised in year (p)	3.96	4.07	4.16
Paid in respect of year (p)	4.01	4.10	4.21
Weighted average number of Ordinary Shares in issue throughout period	213,909,275	228,639,498	257,812,038
	Year Ended 30 June		
<i>General</i> <sup>17</sup>	2012	2013	2014
Dividend cover (x)	1.22	1.32	1.13
Gearing (%) <sup>18</sup>	7	9	10
Ongoing charges ratio (%) <sup>19</sup>	1.3	1.2	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 2012, 30 June 2013 and 30 June 2014 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>17</sup> This information is unaudited.

<sup>18</sup> Gearing = (total assets less other payables) ÷ Shareholders' funds.

<sup>19</sup> A measure of all operating costs incurred in the reporting period, calculated as a percentage of average net assets in that year. Operating costs exclude costs suffered within underlying investee funds, costs of buying and selling investments, interest costs, taxation and the costs of buying back or issuing ordinary shares.

<i>Nature of Information</i>	<i>Annual Report and Accounts for Year Ended 30 June</i>		
	<i>2012 Page No(s)</i>	<i>2013 Page No(s)</i>	<i>2014 Page No(s)</i>
Income statement	22	22	24
Balance sheet	23	23	25
Statement of changes in equity	24	24	26
Cash flow statement	25	25	27
Notes to the financial statements (including accounting policies)	26-38	26-39	28-40
Independent auditors' report	21	21	22

#### 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 2012, 30 June 2013 and 30 June 2014 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>2012 Page No(s)</i>	<i>2013 Page No(s)</i>	<i>2014 Page No(s)</i>
Financial highlights	2	2	2
Performance summary	3	3	N/a <sup>20</sup>
Investment Portfolio	8-9	8-9	6-7
Classification of investments	10	10	5
Chairman's statement	5	5	3
Manager's review	6-7	6-7	4
Directors' report (including business review)	11-18	11-18	14-15
Directors' remuneration report	19-20	19-20	20-21

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 2012, 30 June 2013 and 30 June 2014 (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) the Company's website, which is located at [www.ncim.co.uk/nc\\_main.php](http://www.ncim.co.uk/nc_main.php).

<sup>20</sup> A summary of the Company's performance is included in the chairman's statement in the annual report and accounts for the year ended 30 June 2014.

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 Issues.

### **3. Published Unaudited Interim Report for the Six Months Ended 31 December 2014**

#### **3.1 Introduction**

The Company has published an unaudited interim report for the six months ended 31 December 2014, which included comparative financial information for the six months ended 31 December 2013 and for the year ended 30 June 2014.

#### **3.2 Selected Financial Information**

Set out in the following table is a summary of the Company's unaudited interim results for the six months ended 31 December 2014 (and, for the purpose of comparison, as at 30 June 2014 in the case of the capital information and for the six months ended 31 December 2013 in the case of the revenue information), which has been extracted without material adjustment from the unaudited interim report of the Company for that period.

	<i>As at</i> 30 June 2014	<i>As at</i> 31 December 2014
<i>Capital</i>		
Investments at fair value (£'000)	194,441	186,341
Current assets (£'000)	5,027	8,274
Current liabilities (£'000)	17,607	15,198
Net assets (£'000)	181,861	179,417
NAV per Ordinary Share (p)	62.41	58.77
Number of Ordinary Shares in issue	291,405,541	395,299,173
	<i>Six Months Ended 31</i> <i>December 2013</i>	<i>Six Months Ended 31</i> <i>December 2014</i>
<i>Revenue</i>		
Income (£'000)	6,697	7,642
Total expenses charged to revenue (£'000)	(743)	(945)
Profit before finance costs and tax (£'000)	5,954	6,697
Profit before tax (£'000)	5,845	6,586
Profit after taxation (£'000)	5,760	6,467
Transfer to/(from) revenue reserve (£'000)	94	(497)
Earnings per Ordinary Share (p)	2.36	2.15
Dividends per Ordinary Share		
Recognised in year (p)	2.32	2.39
Paid in respect of year (p)	1.84	1.90
Weighted average number of Ordinary Shares in issue throughout period	244,239,339	300,388,821

#### **3.3 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 unaudited financial information relating to the Company for the six months ended 31 December 2014 that are incorporated by reference into this Prospectus. The page numbers in the following table refer to the relevant pages of the Company's unaudited interim report for that period.

	<i>Interim Report for Six Months Ended 31 December 2014</i>
<i>Nature of Information</i>	<i>Page No(s)</i>
Condensed income statement	8
Condensed balance sheet	9
Condensed statement of changes in equity	10
Condensed cash flow statement	11
Notes to the financial statements	12 - 13

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

The published unaudited interim report of the Company for the six months ended 31 December 2014 included descriptions of the Company's financial condition (in both capital and revenue terms), changes in its financial condition and details of the Company's portfolio of investments 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 unaudited interim report for the six months ended 31 December 2014.

	<i>Interim Report for Six Months Ended 31 December 2014</i>
<i>Nature of Information</i>	<i>Page No(s)</i>
Financial highlights	2
Investment portfolio	6 - 7
Classification of investment portfolio	5
Chairman's statement	3
Investment Manager's review	4

Investors should note that statements regarding current circumstances and forward-looking statements made in the Company's annual report and accounts in the sections referred to in the table above speak as at the date of the interim report 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.

### 3.5 ***Availability of Unaudited Interim Report for Inspection***

Copies of the Company's published interim report for the six months ended 31 December 2014 (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) the Company's website, which is located at [www.ncim.co.uk/nc\\_main.php](http://www.ncim.co.uk/nc_main.php).

The information in such interim report not incorporated by reference into paragraphs 3.3 and 3.4 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 Issues.

## **4. Unaudited Capitalisation and Indebtedness**

- 4.1 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 31 January 2015.

<i>Shareholders' Equity</i>	<i>£'000</i>
Share capital	120,252
Legal reserve <sup>21</sup>	50,385
Other reserves <sup>22</sup>	-
Total	<u>170,637</u>

- 4.2 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 31 January 2015.

	<i>£'000</i>
<i>Total Current Debt</i>	
Guaranteed	-
Secured	-
Unguaranteed/unsecured	15,000
Total	<u>15,000</u>
<i>Total Non-current Debt</i>	
Guaranteed	-
Secured	-
Unguaranteed/unsecured	-
Total	<u>-</u>

- 4.3 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 31 January 2015.

	<i>£'000</i>
A. Cash	1,291
B. Cash equivalents	749
C. Trading securities	190,477
D. Liquidity (A + B + C)	<u>192,517</u>
E. Current financial receivables	-
F. Current bank debt	15,000
G. Current portion of non-current debt	-
H. Other current financial debt	-
I. Current financial debt (F + G + H)	<u>15,000</u>
J. Net current financial indebtedness (I - E - D)	<u>(177,517)</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>(177,517)</u>

<sup>21</sup> Legal reserve does not include profit and loss reserve.

<sup>22</sup> Other reserves do not include profit and loss reserve, profit and loss account or capital gain/(loss) reserves.

## **5. Related Party Transactions**

5.1 The following are considered to be 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 2012, 30 June 2013 and 30 June 2014 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 and for the six months ended 31 December 2014 are disclosed in note 8 to the Company's unaudited interim report for that period, which has been incorporated by reference into this Prospectus by paragraph 3.3 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 remuneration of the Directors at the date of this Prospectus are set out in paragraph 5.3 of Part 6 of this Prospectus.

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 fees payable to CQS/New City Investment Managers for each of the financial years ended 30 June 2012, 30 June 2013 and 30 June 2014 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 and for the six months ended 31 December 2014 are disclosed in note 5 to the Company's unaudited interim report for that period, which has been incorporated by reference into this Prospectus by paragraph 3.3 of this Part 4).

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

5.2 Save as disclosed in paragraph 5.1 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 2012, 30 June 2013 and 30 June 2014 or the period from 31 December 2014 to 3 March 2015.

## **6. Significant Change**

There has been no significant change in the financial or trading position of the Company since 31 December 2014 (being the end of the last financial period of the Company for which unaudited financial information has been published).

## **7. 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).

## **8. 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) commissions, 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 2014 were 1.2 per cent. of the average Shareholders' funds over that year.

## **9. Expense Accounting**

- 9.1 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.
- 9.2 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.

## **10. NAV Calculations**

- 10.1 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.
- 10.2 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 10.2 if such method would, in their opinion, better reflect the fair value of such asset.

10.3 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.

## **11. 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 paragraph 1 of this Part 5) or Jersey (in the case of paragraph 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 £11,000 of gains from tax in the 2014/2015 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 Issues.

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 pursuant to the Initial Placing or the Placing Programme are not eligible for direct transfer into an ISA. Subject to applicable subscription limits, Ordinary Shares issued pursuant to the Offer or acquired in the secondary market may be eligible for inclusion in an ISA, although the account manager should be asked to confirm ISA

eligibility. The annual ISA investment allowance is £15,000 for the tax year 2014/2015 and is expected to be £15,240 for the tax year 2015/2016.

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 Issues), 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 on 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 on 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 2011 (the first date in the period covered by the historical financial information on the Company incorporated by reference into this Prospectus by paragraphs 2.3 and 3.3 of Part 4 of this Prospectus) there were 203,404,249 Ordinary Shares in issue, all of which were fully paid. During the period commencing on 1 July 2011 and ending on 31 December 2014 (the last date in the period covered by the historical financial information on the Company incorporated by reference into this Prospectus by paragraphs 2.3 and 3.3 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 (cum-income) per Ordinary Share at the time the relevant issue was agreed, as summarised in the following table.

<i>Issue Date</i>	<i>Nature of Issue</i>	<i>No. of Ordinary Shares Issued</i>	<i>Issue Price (p)</i>	<i>Gross Proceeds (£m)</i>
15-Nov-11	Placing	16,863,332	55.05	9.3
13-Feb-13	Placing	19,450,000	64.25	12.5
8-Mar-13	Tap issue	4,521,758	65.99	3.0
4-Feb-14	Placing	17,528,292	62.76	11.0
5-Feb-14	Tap issue	1,000,000	62.77	0.6
17-Mar-14	Tap issue	7,150,000	64.25	4.6
21-Mar-14	Tap issue	9,137,910	64.56	5.9
8-Apr-14	Tap issue	2,850,000	65.00	1.9
1-May-14	Tap issue	6,500,000	63.92	4.2
2-May-14	Tap issue	3,000,000	64.00	1.9
4-Nov-14	Placing	13,893,632	62.00	8.6

During the period commencing on 1 January 2015 and ending on 3 March 2015, the Company issued new Ordinary Shares for cash, in each case, at a price representing a premium to the estimated prevailing NAV (cum-income) per Ordinary Share at the time the relevant issue was agreed, as follows:

- (i) on 3 February 2015, 10,250,000 Ordinary Shares at 60.50p per share pursuant to a tap issue, resulting in aggregate gross proceeds (before issue costs) of £6.4 million; and
- (ii) on 4 February 2015, 1,000,000 Ordinary Shares at 60.50p per share pursuant to a tap issue, resulting in aggregate gross proceeds (before issue costs) of £0.6 million.

As at 3 March 2015, there were 316,549,173 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 Issues, 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 the annual general meeting of the Company held on 10 December 2014, 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 30,529,917 equity shares (equivalent to 10 per cent. of the Ordinary Shares in issue at 10 December 2014), 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 2015; 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 10 December 2014, 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 43,681,691 (equivalent to 14.99 per cent. of the Ordinary Shares in issue at 10 December 2014);
  - (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 2015 and (b) 10 March 2016; 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 A general meeting of the Company has been convened for Monday, 30 March 2015 at which a resolution will be proposed to authorise the Company to issue equity securities for cash on a non-pre-emptive basis up to a maximum amount of 158,250,000 equity shares (equivalent to 50 per cent. of the Ordinary Shares in issue at 3 March 2015 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 2016 or, if earlier, 30 June 2016; 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.

2.7 Other than issues of Ordinary Shares pursuant to the Issues, the Company has no present intention to issue any further Ordinary Shares.

2.8 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 on the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such assets in trustees on 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 on 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 Powers**

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 moneys 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 on 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 on 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 on 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 on 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 on 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	0.02
G D P Breeze	5,433,254	1.72
A F L Carey	-	-
A J R Collins	40,000	0.01
G D Ross	30,000	0.01

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 on 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), £36,000 (financial year ended 30 June 2014: £30,000);
  - (ii) in the case of Gavin Breeze (chairman of the audit committee), £26,500 (financial year ended 30 June 2014: £22,500);
  - (iii) in the case of each of Allister Carey and Adrian Collins, £24,000 (financial year ended 30 June 2014: £20,000 each); and
  - (iv) in the case of Graeme Ross (who is managing director of both the Jersey Administrator and the UK Administrator), £24,000 (financial year ended 30 June 2014: £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.

5.7.2 *Gavin Breeze*

*Current directorships and partnerships:* Gabrinc Ltd; Gavin Breeze Consulting Ltd; Mi-Pay Group plc; 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; Fincorp International Ltd.; Heritage Collins Ltd; Liontrust Asset Management plc; LTC Holdings plc; The Sri Lanka Fund Ltd.; Tri-Star Resources PLC; New City High Yield Trust plc (in members' solvent voluntary liquidation).

*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; Activum SG Format GP Limited; Activum SG GP Limited; Albona Investment Holding Limited; Alpen Partners Limited; Artillery Property Limited; BDP Limited; Cains Fiduciaries (Jersey) Limited; Camber International Equity Growth Fund Limited; Cooperatieve Activum SG Fund IAU.A.; Dacharan Capital (Jersey) Limited; DN Capital GVC II Advisors (Jersey) Limited; DN Capital Management

(Jersey) Limited; DN Capital Partners Limited; Edgewater Capital Limited; Edgewater Properties Limited; ETFS Commodity Securities Australia Limited; ETFS Commodity Securities Limited; ETFS Equity Securities Limited; ETFS Foreign Exchange Limited; EFTS Hedged Commodity Securities Limited; EFTS Hedged Metal Securities Limited; EFTS Holdings (Jersey) Limited; EFTS Industrial Metal Securities Limited; ETFS International Holdings Limited; ETFS Metal Securities Limited; ETFS Oil Securities Limited; Galazy (GP) Limited; Galaxy (Jersey) Limited; Geiger Counter Limited; Genagro Ltd (formerly Agrifirma Brazil Limited); Global Media Rights Limited; Gold Bullion Securities Limited; Goldstein Holding (Jersey) Limited;; HEREF Diamond Holding Ltd; HEREF Emperor Master Holding Ltd; HEREF Hildane Master Holding Ltd; HEREF Jersey Holding Ltd; INVESCO PIT Limited; Iona Specialised Funds ICC; New City Energy Limited; New City High Yield Fund Limited; OH Securities Limited; Old Grandtully Investments Limited; Ordance Land Holdings Limited; Ordance Land Limited; Practice Services Limited; R&H Fund Services (Jersey) Limited; R&H Fund Services Holdings Limited; R&H Investments Limited; The Red Fort Partnership Limited; Rocket Entertainment Fund Limited; Rocket Fund Advisers (Jersey) Limited; Samos Investments Jersey General Partner Limited; Satya Africa CCIL Investments Limited; Satya Africa Hygeia Investments Limited; Satya Africa O3B Investments Limited; Satya Capital Carried Interest Limited; Satya Capital General Partner Limited; Satya Capital Limited; Scott Gordon Limited; Snowstream Capital Management Limited; Solon (Jersey No 1) Limited; Solon Ventures (Carried Interest) Limited; Swiss Commodity Securities Limited; Target Healthcare REIT Limited; Toplaw Secretarial Services Limited; TRPE Capital limited; Trucial Energy Limited; UNION Real Estate Fund GPCO (Jersey) Limited; Voreda Woodlands 1 Holdco (Jersey) Limited; Woodbourne Secretaries (Jersey) Limited.

*Previous directorships and partnerships:* Albona GP Limited; Apsley Advisors Limited; Apsley Investors 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); 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 Services Limited; Computershare Trustees (C.I.) Limited; ETF Securities Limited; ETFS Management Company (Jersey) Limited; Global Sharepurchase Nominees (Jersey) Limited; HB Multi-Strategy Fund Limited; HEREF Distribution Ltd; HEREF Tonbridge Ltd; 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; Kapall GP Limited; La Falda Resources Limited (dissolved); Larch Capital Fund IC; Lockley Holdings Limited; Minera IRL Limited; Minera IRL Limited – CSL; Northgate Unit Trust Managers (Jersey) Limited; Opus Capital Limited; Parket Limited; Patriot Asset Management Limited; Personal Choice Portfolios Limited; Petrus Advisers Management Limited; Petrus Advisers Investments Limited; Prana Systematic Limited; R&H CD Limited; R&H CS Limited; R&H Fund Services (Luxembourg) Ltd; R&H TN Limited; R&H Trust Co (Jersey) Limited; Reckitt Benckiser Employees' Trustees (Jersey) Ltd; Satya Africa GTB Investments Limited; Shared Growth FC ICC; Stamford House (Jersey) Limited; The Cultural Capital Fund Limited; Tricorner Ltd; Valluga GP Limited; Verwall GP Limited; XXXXCentaurus Capital (Jersey) General Partner 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 3 March 2015, 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	45,130,182	14.8
James Sharp	22,217,001	7.3
Rathbones	19,184,466	6.3
Hargreaves Lansdown	12,798,607	4.2
Redmayne Bentley	12,584,361	4.1
Charles Stanley	12,122,822	4.0
Veritas Investment Management	11,159,336	3.7

- 6.2 The major Shareholders do not have different voting rights from other Shareholders.
- 6.3 As at 3 March 2015, 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 22 July 2014 (as amended by a supplemental agreement effective as of 17 February 2015) between (i) the Company, (ii) CQS and (iii) New City Investment Managers, the Company appointed:

- (a) CQS to act as investment manager of the Company, with complete discretion to buy, sell, retain, exchange or otherwise deal in investments for

the account of the Company in accordance with the Company's investment objective, policy and restrictions from time to time and CQS has delegated its investment management functions to the Investment Manager; and

(b) the Investment Manager as the Company's AIFM.

In consideration for providing the Company with management services, CQS is entitled to an investment management fee, payable monthly in arrears, at the rate of 0.8 per cent. per annum of the value of the Company's Adjusted Total Assets up to £200 million and 0.7 per cent. per annum thereafter. CQS is responsible for any fee payable to NCIM, including in its capacity as the Company's AIFM.

The Investment Management Agreement contains indemnity provisions (which are standard for this type of agreement) in favour of CQS and the Investment Manager (and any associate or other person to whom the Investment Manager properly delegates its duties under the Investment Management Agreement) against all claims and demands except where there has been fraud, negligence, wilful default or breach of any principal obligations under the Services Agreement on the part of CQS or the Investment Manager (or any associate or other third party to whom the Investment Manager properly delegates its duties under the Investment Management Agreement).

The Investment Management Agreement is terminable by any of the parties giving to the other parties not less than 12 months' written notice of termination. In addition, the Company on the one hand and CQS or the Investment Manager on the other may terminate the Investment Management Agreement forthwith by notice if another party goes into liquidation or commits a material breach of its obligations under the Investment Management Agreement without rectifying the breach within 30 days' notice thereof. In addition, the Company will also be entitled to terminate the Investment Management Agreement forthwith by notice and without penalty following the defeat of a continuation vote at any general meeting of the Company. Upon termination of the Investment Management Agreement, 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 or the Investment Manager'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, CQS and 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 the Investment Manager, 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 maintain at all times whilst it is the AIFM of the Company a group insurance policy (including a professional indemnity insurance policy against liability for professional negligence of the directors) with an aggregate claim limit of £85 million.
- 7.1.4 CQS Cayman Limited Partnership 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 registered in the Cayman Islands with 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, and is approved as an AIFM, in the United Kingdom by the FCA.

## 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 £31,000, 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 £60,000, 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 £81,000 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 on 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 services agreement dated 21 July 2014 between (i) the Company, (ii) the Investment Manager and (iii) HSBC Bank plc, the Safekeeping and Cashflow Monitoring Agent was appointed to provide safekeeping of the Company's assets and cashflow monitoring and oversight services.

The Safekeeping and Cashflow Monitoring Agent has assumed its functions and responsibilities in accordance with the FCA Rules implementing the AIFM Directive as they apply to it in the provision of its services to the Company under the Services Agreement. The principal duties of the Safekeeping and Cashflow Monitoring Agent are as follows:

- (a) safe-keeping of the assets of the Company that can be held in custody (including book entry securities);
- (b) record-keeping of assets that cannot be held in custody, in which case the Safekeeping and Cashflow Monitoring Agent must verify their ownership;
- (c) ensuring that the Company's cash flows are properly monitored, and in particular ensuring that the sale, issue, repurchase, redemption, and cancellation of Ordinary Shares are carried out in accordance with applicable law and the Company's constitutional documents;
- (d) ensuring that the NAV of the Ordinary Shares is calculated in accordance with applicable law and the Company's constitutional documents;
- (e) carrying out the instructions of the Company's AIFM, unless they conflict with applicable law or the Company's constitutional documents;
- (f) ensuring that, in transactions involving the Company's assets, any consideration is remitted to the Company within the usual time limits; and
- (g) ensuring that the Company's income is applied in accordance with applicable law and the Company's constitutional documents.

The Safekeeping and Cashflow Monitoring Agent will not be liable for any loss to the Company resulting from any act or omission in relation to the services provided under the terms of the Services Agreement unless such loss results directly from the negligence, fraud, fraudulent misrepresentation, or wilful default of the Safekeeping and Cashflow Monitoring Agent or if the Safekeeping and Cashflow Monitoring Agent commits a material breach of the Services Agreement. The Safekeeping and Cashflow Monitoring Agent will not be liable for the solvency, or

the acts or omissions of any sub-custodian in whose control any of the Company's assets may be held. The Safekeeping and Cashflow Monitoring Agent shall not be liable for any indirect, special or consequential losses.

The Safekeeping and Cashflow Monitoring Agent may delegate any services (to the extent permitted by applicable law) to a delegate selected by the Safekeeping and Cashflow Monitoring Agent provided that any delegate which is to carry on such services in the UK is established in the UK and has a Part 4A permission from the FCA to act as trustee or depository of an AIF. Where it delegates any services, the Safekeeping and Cashflow Monitoring Agent will exercise reasonable skill, care and diligence in the selection, appointment and periodic review and ongoing monitoring of its delegates. The Safekeeping and Cashflow Monitoring Agent shall not be liable for any acts or omissions of any delegate and will not be responsible for any losses suffered by the Company or its AIFM by reason only of the liquidation, bankruptcy or insolvency of any delegate. A delegate may sub-delegate any functions provided that the conditions and requirements set out in this paragraph are satisfied as they apply *mutatis mutandis* to the delegate and its sub-delegate. The Safekeeping and Cashflow Monitoring Agent has delegated the provision of safekeeping functions to its network of sub-custodians.

Pursuant to the Services Agreement, the Safekeeping and Cashflow Monitoring Agent receives fees for the cashflow monitoring and oversight elements of its services at the rate of 0.03 per cent. per annum on the first £100 million of the Company's NAV, 0.02 per cent. per annum on the next £100 million of NAV and 0.01 per cent. per annum thereafter. The fees payable to the Safekeeping and Cashflow Monitoring Agent for the custody component of its services are dependent on the aggregate value of the Company's assets and the number and nature of transactions undertaken by the Company.

The Services Agreement contains warranties, representations and indemnities (which are standard for this type of agreement), including provisions indemnifying the Safekeeping and Cashflow Monitoring Agent 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 Services Agreement, with respect to any act or omission taken by the Safekeeping and Cashflow Monitoring Agent in the absence of the Safekeeping and Cashflow Monitoring Agent's fraud, negligence or wilful default.

The Services Agreement may be terminated by either party giving to the other party not less than 30 days' written notice of termination. The Safekeeping and Cashflow Monitoring Agent may delegate its responsibilities under the Services Agreement from time to time.

- 7.3.2 Potential conflicts of interest may arise from time to time from the provision by the Safekeeping and Cashflow Monitoring Agent and/or its affiliates of other services to the Company, the Investment Manager and/or other parties. Where a conflict or potential conflict of interest arises, the Safekeeping and Cashflow Monitoring Agent will have regard to its obligations to the Company and/or the Investment Manager and will treat fairly the Company and/or the Investment Manager and the other funds for which it acts, so far as is practicable. Such potential conflicts of interest are identified, managed and monitored in various other ways including the hierarchical and functional separation of HSBC's depository functions from its other potentially conflicting roles and by the Safekeeping and Cashflow Monitoring Agent adhering to its "Conflicts of Interest Policy" (a copy of which can be obtained on request from the Head of Compliance for the Safekeeping and Cashflow Monitoring Agent).
- 7.3.4 The Safekeeping and Cashflow Monitoring Agent in no way acts as guarantor or offeror of the Ordinary Shares or any underlying investment. The Safekeeping and Cashflow Monitoring Agent has no responsibility or authority to make investment

decisions, or render investment advice, with respect to the assets of the Company. The Safekeeping and Cashflow Monitoring Agent is not responsible for, and accepts no responsibility or liability for, any losses suffered by the Company or any investor in the Company, or the Company's AIFM as a result of any failure by the Company or its AIFM to adhere to the Company's investment objective, investment policy, investment restrictions, borrowing restrictions or operating guidelines. The Safekeeping and Cashflow Monitoring Agent is not responsible for the preparation of this Prospectus or for the activities of the Company and therefore accepts no responsibility for any information contained in, or incorporated by reference, in this document.

7.3.5 The Safekeeping and Cashflow Monitoring Agent, 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 31 December 2014, the Safekeeping and Cashflow Monitoring Agent had an issued and fully paid up share capital of £797 million divided into ordinary shares of £1.00 each, preferred ordinary shares of £1.00 each and non-cumulative third dollar preference shares of US\$0.01 each. The Safekeeping and Cashflow Monitoring Agent has its registered office and principal place of business at 8 Canada Square, London E14 5HQ. The Safekeeping and Cashflow Monitoring Agent's telephone number at its principal place of business is +44 (0) 20 7005 8101. The Safekeeping and Cashflow Monitoring Agent is authorised in the United Kingdom by the Prudential Regulation Authority and regulated in the United Kingdom by the FCA and the Prudential Regulation Authority.

#### 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 a revolving facility agreement dated 22 December 2014 between (i) Scotiabank Europe plc (the "**Bank**") and (ii) the Company (the "**Facility Agreement**"), the Bank has agreed to make available to the Company a revolving facility of £30 million to refinance its existing facilities with HSBC Bank Plc, to finance investments in the ordinary course of its business and for general corporate purposes (the "**Facility**"). The Facility is for a term of 364 days and repayable on the termination date, if not renewed.

The interest rate is calculated as the aggregate of the margin of 0.85 per cent; plus LIBOR plus any mandatory cost. Interest is payable quarterly in arrears on the amount drawn down under the Facility from time to time.

- 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 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 By a placing agreement dated 5 March 2015 between (i) the Company, (ii) the Investment Manager, (iii) Cantor Fitzgerald Europe and (iv) BDO LLP, Cantor Fitzgerald conditionally agreed (a) to act as the Company's financial adviser in connection with the Issues and related matters and (b) as agent of the Company, to use its reasonable endeavours to procure subscribers for new Ordinary Shares pursuant to the Initial Placing.

The Placing Agreement, and each issue of Ordinary Shares pursuant to the Initial Placing and the Placing Programme, is conditional on:

- (i) Shareholder authority for the issue of such Ordinary Shares on a non-pre-emptive basis being in place;
- (ii) the Company and the Investment Manager having complied with all of their respective obligations under the Placing Agreement which fall to be performed or satisfied on or prior to Admission of such Ordinary Shares;
- (iii) the Placing Agreement otherwise becoming and remaining wholly unconditional (save as to Admission of such Ordinary Shares) and not having been terminated in accordance with its terms; and
- (v) Admission of such new Ordinary Shares.

The Company has agreed to pay Cantor Fitzgerald a placing commission equal to 1.0 per cent. of the aggregate value, at their Issue Price, of the Ordinary Shares pursuant to the Issues. The Company will also pay all other costs and expenses incurred in connection with the Issues and the applications for Admission, including Cantor Fitzgerald's out-of-pocket expenses and legal fees.

Under the Placing Agreement, which may be terminated by Cantor Fitzgerald in certain circumstances (including by reason of *force majeure*), the Company and the Investment Manager have given certain warranties and indemnities (which are standard for this type of agreement) to Cantor Fitzgerald and the Sponsor concerning, *inter alia*, the accuracy of the information contained in this Prospectus.

- 8.4 Save for the agreements summarised in paragraphs 7.1.1, 7.2.1, 7.2.2, 7.3.1, 7.4.1, 8.1, 8.2 and 8.3 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 proceeds of the Issues will depend on the number of new Ordinary Shares issued pursuant to them, the Issue Price of such new Ordinary Shares and the aggregate costs and expenses of the Issues. However, for illustrative purposes only, assuming that 158,250,000 Ordinary Shares (being the maximum number of Ordinary Shares available pursuant to the Issues) are issued pursuant to the Issues, an Issue Price of 60.7p per new Ordinary Share (being a premium to the NAV (cum-income) per share as at 3 March 2015) and a placing commission of 1.0 per cent. of the gross proceeds of the Issues is payable:

- (i) the gross proceeds of the Issues would be approximately £96.1 million;
- (ii) the fixed costs of the Issues (these will be payable irrespective of whether any Ordinary Shares are issued pursuant to it) would be approximately £0.14 million;
- (iii) placing commissions of approximately £0.96 million would be payable; and
- (iv) the net proceeds of the Issues would be approximately £95.0 million.

9.2 As the new Ordinary Shares will be issued pursuant to the Issues 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 Issues. 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 Issues 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 158,250,000 Ordinary Shares (being the maximum number of Ordinary Shares available pursuant to the Issues) are issued pursuant to the Issues:

- (i) there would be a dilution of approximately 33.3 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 approximately 0.67 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 Issues.

9.3 The currency of the Issues is pounds sterling.

9.4 Investors will be able to make more than one subscription or purchase of Ordinary Shares pursuant to the Issues, and multiple subscriptions or purchases will be treated individually and not aggregated.

9.5 Save for the Offer, no new Ordinary Shares will be made available to the public pursuant to the Issues.

9.6 In connection with the Issues, Cantor Fitzgerald and any of its affiliates acting as an investor for its or their own account(s) may apply for Ordinary Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in Ordinary Shares, any other securities of the Company or other related investments in connection with the Issues or otherwise. Accordingly, references in this Prospectus to the Ordinary Shares being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, Cantor Fitzgerald or any of its affiliates acting as an investor for its or their own

account(s). Neither Cantor Fitzgerald nor any of their affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

- 9.7 No application is being, or will be, made for the new Ordinary Shares to be issued pursuant to the Issues to be listed or dealt in on any stock exchange or investment exchange other than the London Stock Exchange's Main Market.
- 9.8 No persons involved in the Issues have any interests that are material to the Issues.
- 9.9 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.
- 9.10 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.
- 9.11 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 Friday, 4 March 2016:

- (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 2012, 30 June 2013 and 30 June 2014;
- (iii) the unaudited interim report of the Company for the six months ended 31 December 2014; and
- (iv) this Prospectus.

In addition, a copy of this Prospectus is available at the National Storage Mechanism which is located at [www.morningstar.co.uk/uk/nsm](http://www.morningstar.co.uk/uk/nsm), and the section of the Investment Manager's website dedicated to the Company, which is located at [www.ncim.co.uk/nc\\_main.php](http://www.ncim.co.uk/nc_main.php).

## **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>"2010 PD Amending Directive"</b>	Directive 2010/73/EU
<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>	in relation to an Issue, admission of the new Ordinary Shares issued pursuant to that Issue 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>"Application Form"</b>	the application form for use in connection with the March Closing of the Offer set out in Part 11 of this Prospectus and/or the application form for use in connection with the April Closing of the Offer set out in Part 12 of this Prospectus (as the context may require)
<b>"April Closing"</b>	the final closing date for placing commitments pursuant to the Initial Placing and applications pursuant to the Offer, being 11.00 a.m. on Wednesday, 15 April 2015
<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 <sup>23</sup>

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<sup>23</sup> A special resolution to change the Company's name to CQS New City High Yield Fund Limited will be proposed at a general meeting of the Company which has been convened for 12.30 p.m. on Monday, 30 March 2015.

<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 Group"</b>	CQS Cayman Limited Partnership and its subsidiary undertakings from time to time, including the Investment Manager
<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>"Delegation Agreement"</b>	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
<b>"Directors"</b>	the directors of the Company from time to time
<b>"Disclosure and Transparency Rules"</b>	the disclosure and transparency rules made by the FCA under Part VI of FSMA
<b>"discount"</b>	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)
<b>"DVP"</b>	delivery versus payment
<b>"EEA"</b>	European Economic Area
<b>"ERISA"</b>	the US Employee Retirement Income Security Act of 1974, as amended from time to time
<b>"Excluded Jurisdiction"</b>	the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or any other jurisdiction in which such offer or solicitation is or may be unlawful
<b>"FATCA"</b>	the US Foreign Account Tax Compliance Act of 2010
<b>"FCA"</b>	the UK Financial Conduct Authority
<b>"FSMA"</b>	the UK Financial Services and Markets Act 2000
<b>"IFRS"</b>	international financial reporting standards, as adopted by the European Union
<b>"Initial Issue Price"</b>	(i) in respect of the March Closing of the Initial Placing and Offer, the higher of (a) a premium of 3.0 per cent. to the estimated NAV (cum-income) per Ordinary Share and (b) 90 per cent. of the middle market price of the Ordinary Shares, in each case at the close of business on Friday, 27 March 2015 and (ii) in respect of the April Closing of the Initial Placing and Offer, the higher of (a) a premium of 3.0 per cent. to the estimated NAV (cum-income) per Ordinary Share and (b) 90 per cent. of the middle market price of the Ordinary Shares, in each case at the close of business on Thursday, 16 April 2015
<b>"Initial Placing"</b>	the placing of new Ordinary Shares at the Initial Issue Price on the terms and subject to the conditions set out in this Prospectus
<b>"Intermediaries"</b>	the entities listed under the sub-heading "Intermediaries" on page 52 of this Prospectus together with any other intermediary (if any) that is appointed by Cantor Fitzgerald to offer Ordinary Shares to retail investors after the date of this Prospectus;

<b>"Intermediaries' Terms and Conditions"</b>	the terms and conditions agreed between Cantor Fitzgerald and the Intermediaries in relation to the Offer and contained in the document entitled "New City High Yield Fund Limited / Share Offer / Information for Intermediaries"
<b>"Investment Management Agreement"</b>	the investment management agreement between the Company and the Investment Manager, details of which are set out in paragraph 7.1.1 of Part 6 of this Prospectus
<b>"Investment Manager", "NCIM" or "New City Investment Managers"</b>	CQS Asset Management Limited (trading as New City Investment Managers)
<b>"Investment Portfolio"</b>	the Company's portfolio of investments from time to time
<b>"ISA"</b>	an individual savings account maintained in accordance with the UK Individual Savings Account Regulations 1998 (as amended)
<b>"Issue Costs"</b>	the costs and expenses incurred or payable by the Company in connection with the Issues or any issue of Ordinary Shares pursuant to the Issues (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 Issues (excluding the costs and expenses of preparing this Prospectus) divided by the number of such shares issued on that occasion
<b>"Issue Price"</b>	the Initial Issue Price and/or the Placing Programme Price (as the context may require)
<b>"Issues"</b>	the issue of up to 158,250,000 Ordinary Shares pursuant to the Initial Placing, the Offer for Subscription and/or the Placing Programme (as the context may require)
<b>"Jersey Administrator"</b>	R&H Fund Services (Jersey) Limited
<b>"Jersey Company Law"</b>	the Companies (Jersey) Law 1991, as amended
<b>"Jersey Funds Codes"</b>	the Codes of Practice for Certified Funds published by the JFSC
<b>"Jersey Funds Law"</b>	the Collective Investment Funds (Jersey) Law 1988, as amended
<b>"JFSC"</b>	Jersey Financial Services Commission
<b>"Listing Rules"</b>	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>"Manager" or "CQS"</b>	CQS Cayman Limited Partnership
<b>"March Closing"</b>	the initial closing date for placing commitments pursuant to the Initial Placing and applications pursuant to the Offer, being 11.00 a.m. on Thursday, 26 March 2015

<b>"Member State"</b>	those states which are members of the EEA from time to time
<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>"Offer" or "Offer for Subscription"</b>	the offer for subscription to the public of Ordinary Shares at the Initial Issue Price on the terms and subject to the conditions set out in this Prospectus
<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 Agreement"</b>	the placing agreement amongst the Company, CQS Cayman Limited Partnership, Cantor Fitzgerald and the Sponsor, details of which agreement are set out in paragraph 8.3 of Part 6 of this Prospectus
<b>"Placing Programme 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>(i) less than the higher of: <ul style="list-style-type: none"> <li>(a) the aggregate of (i) the estimated prevailing NAV (cum-income) per Ordinary Share at the time the proposed issue is agreed and (ii) the Issue Costs per new Ordinary Share; and</li> <li>(b) 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>(ii) 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 programme of placings and/or tap issues of new Ordinary Shares at the Placing Programme Price on the terms and subject to the conditions set out in 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 Issues and the applications for Admission
<b>"Prospectus Directive"</b>	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
<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>"Receiving Agent"</b>	Computershare Investor Services PLC
<b>"Regulation S"</b>	Regulation S under the US Securities Act
<b>"Regulatory Information Service"</b>	a regulatory information service that is on the list of regulatory information services maintained by the FCA
<b>"Relevant Member State"</b>	each Member State which has implemented the Prospectus Directive other than the United Kingdom
<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>"Safekeeping and Cashflow Monitoring Agent"</b>	HSBC Bank plc
<b>"Services Agreement"</b>	the services agreement between the Company, the Investment Manager and the Safekeeping and Cashflow Monitoring Agent, details of which are set out in paragraph 7.3.1 of Part 6 of this Prospectus
<b>"SEC"</b>	the United States Securities and Exchange Commission
<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 Investment Advisers Act"</b>	the United States Investment Advisers Act of 1940, as amended, and the rules and regulations of the SEC promulgated pursuant to it
<b>"US Investment Company Act"</b>	the United States Investment Company Act of 1940, as amended, and the rules and regulations of the SEC promulgated pursuant to it
<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, and the rules and regulations of the SEC promulgated pursuant to it

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 times are to the time in London.
3. All references in this Prospectus to 3 March 2015 should be regarded as being references to the latest practicable date prior to the publication of this Prospectus.

**PART 8**

**TERMS AND CONDITIONS OF INITIAL PLACING  
AND PLACING PROGRAMME**

**1. Introduction**

1.1 The words and expressions listed below have the meanings set out opposite them throughout this Part 8 except where the context otherwise requires:

<b>"Placees"</b>	the persons to whom the Placing Shares are issued pursuant to the Initial Placing and/or the Placing Programme, as the context may require;
<b>"Placing"</b>	the Initial Placing and/or any placing of new Ordinary Shares to be issued by the Company pursuant to the Placing Programme, as the context may require;
<b>"Placing Agent"</b>	Cantor Fitzgerald Europe;
<b>"Placing Letter"</b>	any letter that the Company and/or the Placing Agent may require any Placee to agree to in accordance with paragraph 1.9 of these Terms and Conditions;
<b>"Placing Price"</b>	in respect of the Initial Placing, the Initial Issue Price and/or, in respect of the Placing Programme, the Placing Programme Price, as the context may require;
<b>"Placing Shares"</b>	new Ordinary Shares to be issued by the Company pursuant to a Placing;
<b>"Prospectus"</b>	this prospectus and, in respect of: <ul style="list-style-type: none"><li>(i) applications to participate in the March Closing of the Initial Placing, any supplementary prospectus published by the Company in accordance with the Prospectus Rules prior to Admission of the Placing Shares to be issued pursuant to that closing of the Initial Placing;</li><li>(ii) applications to participate in the April Closing of the Initial Placing, any supplementary prospectus published by the Company in accordance with the Prospectus Rules prior to Admission of the Placing Shares to be issued pursuant to that closing of the Initial Placing; and</li><li>(iii) applications to participate in any other Placing, any supplementary prospectus published by the Company in accordance with the Prospectus Rules prior to Admission of the Placing Shares to be issued pursuant to that Placing; and</li></ul>
<b>"Terms and Conditions"</b>	the terms and conditions of the Initial Placing and the Placing Programme set out in this Part 8.

1.2 **Members of the public are not eligible to take part in any Placing. These Terms and Conditions are directed only at persons selected by the Placing Agent who are "investment professionals" falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or "high net worth companies, unincorporated associations etc." falling within Article 49(2) of that order or to persons to whom it may otherwise lawfully be communicated under that order (all**

**such persons together being referred to as "relevant persons"). Only relevant persons may participate in Placings and these Terms and Conditions must not be acted on or relied on by persons who are not relevant persons.**

- 1.3 The Placing Shares are not being offered or sold to any person in the EEA other than to persons who are both (i) "qualified investors" as defined in the Prospectus Directive, which includes legal entities which are regulated by the FCA or entities which are not so regulated whose corporate purpose is solely to invest in securities and (ii) persons to whom the Placing Shares may be lawfully marketed under the AIFM Directive or the applicable implementing legislation (if any) of the Member State in which such person is domiciled or in which such person has a registered office.
- 1.4 The Placing 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, accordingly, may not be offered, sold, transferred or delivered, directly or indirectly, within the United States except pursuant to an exemption from, or in a transaction not subject to, registration under the US Securities Act. Accordingly, each Placing is being made to:
- (i) to investors who are not US Persons or persons acquiring for the account or benefit of US Persons outside the United States in "offshore transactions" within the meaning of, and in reliance on, Regulation S; and
  - (ii) US Persons or to investors within the United States or to persons who are acting for the account or benefit of US Persons in either case who have executed and returned a US subscription agreement and are reasonably believed to be qualified institutional buyers (QIBs) within the meaning of Rule 144A (Rule 144A) under the US Securities Act, who are also qualified purchasers (QPs) as defined in Section 2(a)(51) of the US Investment Company Act, pursuant to a transaction that is exempt from, or not subject to, the registration requirements of the US Securities Act.

The Company has not been and will not be registered under the US Investment Company Act and investors will not be entitled to the benefits of that Act. Persons receiving the Prospectus (including custodians, nominees and trustees) must not forward, distribute, mail or otherwise transmit it in or into the United States or to US Persons or use the United States mails, directly or indirectly, in connection with the Issues.

- 1.5 The Prospectus does not constitute an offer to sell or issue or a solicitation of an offer to buy or subscribe for Placing Shares in any Excluded Jurisdiction. The Prospectus and the information contained in it are not for publication or distribution, directly or indirectly, to persons in an Excluded Jurisdiction unless permitted pursuant to an exemption under the relevant local law or regulation in any such Excluded Jurisdiction.
- 1.6 The distribution of the Prospectus, any Placing and/or any issue of Placing Shares in certain jurisdictions may be restricted by law and/or regulation. No action has been taken by the Company, the Placing Agent or any of their respective affiliates as defined in Rule 501(b) under the US Securities Act that would permit an offer of Placing Shares or possession or distribution of the Prospectus or any other publicity material relating to the Placing Shares in any jurisdiction where action for that purpose is required. Persons receiving the Prospectus are required to inform themselves about and to observe any such restrictions.
- 1.7 The Placing Agent, which is authorised and regulated in the UK by the FCA, is acting for the Company and for no one else in connection with the Initial Placing, the Offer, the Placing Programme, the Issues, or any other matters referred to in the Prospectus and will not be responsible to anyone other than the Company for providing the protections afforded to clients of the Placing Agent or for affording advice in relation to the Initial Placing, the Offer, the Placing Programme, the Issues, or any other matters referred to in the Prospectus. Nothing in this paragraph 1.7 shall serve to exclude or limit any

responsibilities that the Placing Agent may have under FSMA or the regulatory regime established under FSMA.

- 1.8 These Terms and Conditions apply to each agreement to acquire Placing Shares pursuant to a Placing. Accordingly, each Placee that confirms its agreement (whether orally or in writing) to the Placing Agent to subscribe for Placing Shares pursuant to a Placing will be:
- (i) deemed to have read and understood the Prospectus in its entirety and to be providing the representations, warranties, undertakings, acknowledgements and agreements contained in these Term and Conditions to the Company, the Placing Agent, the Manager, the Investment Manager and the Registrar; and
  - (ii) bound by these Terms and Conditions and will be deemed to have accepted them.
- 1.9 The Company and/or the Placing Agent may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit and/or may require any such Placee to execute a separate placing letter. The terms and conditions contained in any such letter shall be supplemental and in addition to these Terms and Conditions.

## **2. Principal Terms of Each Placing**

- 2.1 The applicable Placing Price per Placing Share will be determined in accordance with the Prospectus and will be payable to the Placing Agent by all Placees in respect of each Placing Share issued to them under the relevant Placing.
- 2.2 The closing date for each Placing will be as may be agreed between the Company and the Placing Agent and notified to Placees.
- 2.3 The Placing Agent will contact and confirm orally to Placees the size of their respective allocations and a trade confirmation will be dispatched as soon as possible thereafter. The Placing Agent's oral confirmation of the size of allocations and each Placee's oral commitment to accept the same or such lesser number as may be determined in accordance with paragraph 2.4 of these Terms and Conditions will constitute a legally binding agreement pursuant to which each such Placee will be required to accept the number of Placing Shares allocated to it at the applicable Placing Price and otherwise on and subject to these Terms and Conditions.
- 2.4 The Company and the Placing Agent reserve the right not to accept offers to subscribe for Placing Shares or to accept such offers in part rather than in whole. The Placing Agent shall be entitled to effect the relevant Placing by such method as it shall, in its sole discretion, determine.
- 2.5 To the fullest extent permissible by law, none of the Placing Agent, its affiliates or any person acting on behalf of any of them shall have any liability to Placees (or to any other person, whether acting on behalf of a Placee or otherwise). In particular, none of the Placing Agent, its affiliates or any person acting on behalf of any of them shall have any liability to Placees in respect of their conduct of the Initial Placing or any Placing under the Placing Programme.
- 2.6 Placees will not be entitled to receive any fee or commission in connection with any Placing.
- 2.7 Each Placee's obligations will be owed to the Company and to the Placing Agent. Following the oral confirmation referred to in paragraph 2.3 of these Terms and Conditions, each Placee will have an immediate, separate, irrevocable and binding obligation, owed to the Placing Agent, to pay to the Placing Agent (or as the Placing Agent may direct) in cleared funds an amount equal to the product of the applicable Placing Price and the number of Placing Shares which such Placee has agreed to

acquire. The Company shall allot such Placing Shares to each Placee following each Placee's payment to the Placing Agent of such amount.

- 2.8 Each Placee agrees to indemnify on demand and hold the Company, the Placing Agent, the Manager, the Investment Manager and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, undertakings, acknowledgements and agreements contained in these Term and Conditions and any Placing Letter.
- 2.9 All obligations of the Placing Agent under a Placing will be subject to fulfilment of the conditions referred to in paragraph 3 of these Terms and Conditions.

### **3. Conditions of Each Placing**

- 3.1 Each Placing is conditional on the Placing Agreement becoming unconditional and remaining unconditional (save only for Admission) and neither the Placing Agreement nor the Placing Agent's obligations thereunder having been terminated in accordance with the terms of the Placing Agreement prior to:
- (i) in respect of the March Closing of the Initial Placing, Thursday, 2 April 2015 (or such later date, not being later than Friday, 3 April 2015, as the Company and Cantor Fitzgerald may agree);
  - (ii) in respect of the April Closing of the Initial Placing, Wednesday, 22 April 2015 (or such later date, not being later than Thursday, 30 April 2015, as the Company and Cantor Fitzgerald may agree); and
  - (iii) in respect of any other Placing, Friday, 4 March 2016; and
- 3.2 The obligations of the Placing Agent under the Placing Agreement in relation to each Placing are conditional, *inter alia*, on:
- (i) in respect of:
    - (a) Placees' agreements to participate in the March Closing of the Initial Placing, Admission of the Placing Shares to be issued pursuant to that closing of the Initial Placing by 8.00 a.m. on Thursday, 2 April 2015 (or such date, not being later than Friday, 3 April 2015, as the Company and Cantor Fitzgerald may agree);
    - (b) Placees' agreements to participate in the April Closing of the Initial Placing, Admission of the Placing Shares to be issued pursuant to that closing of the Initial Placing by 8.00 a.m. on Wednesday, 22 April 2015 (or such later date, not being later than Thursday, 30 April 2015, as the Company and Cantor Fitzgerald may agree); and
    - (c) Placees' agreements to participate in any other Placing, Admission of the Placing Shares to be issued pursuant to that Placing by 8.00 a.m. on such date as may be agreed between the Company and the Placing Agent prior to the closing of that Placing (or such later date, not being later than Friday, 4 March 2016, as the Company and Cantor Fitzgerald may agree); and
  - (ii) none of the representations, warranties and undertakings given by the Company, the Manager or the Investment Manager, respectively, in the Placing Agreement being breached or being untrue, inaccurate or misleading in any respect when made or, by reason of any event occurring or circumstance arising before Admission of the relevant Placing Shares, would cease to be true and accurate were it to be repeated as at their Admission.
- 3.3 If:
- (i) the conditions applicable to the Placing Agent's obligations under the Placing Agreement in relation to a Placing are not fulfilled (or, to the extent permitted under the Placing Agreement, have not been waived by the Placing Agent); or

(ii) the Placing Agreement is terminated in accordance with its terms; the relevant Placing will lapse and each Placee's rights and obligations under that Placing shall cease and determine at such time and no claim may be made by a Placee in respect thereof. The Placing Agent shall have no liability to any Placee (or to any other person, whether acting on behalf of a Placee or otherwise) in respect of any decision it may make as to whether or not to waive or to extend the time and/or date for the satisfaction of any condition in the Placing Agreement or in respect of any Placing.

#### **4. Agreement to Subscribe for Placing Shares**

##### 4.1 Conditional on:

- (i) the Placing Agreement becoming and remaining unconditional (save only for Admission) and neither the Placing Agreement nor the Placing Agent's obligations thereunder having been terminated in accordance with the terms of the Placing Agreement prior to:
  - (a) in respect of the March Closing of the Initial Placing, Thursday, 2 April 2015 (or such later date, not being later than Friday, 3 April 2015, as the Company and Cantor Fitzgerald may agree);
  - (b) in respect of the April Closing of the Initial Placing, Wednesday, 22 April 2015 (or such later date, not being later than Thursday, 30 April 2015, as the Company and Cantor Fitzgerald may agree); and
  - (c) in respect of any other Placing, Friday, 4 March 2016; and
- (ii) in respect of:
  - (a) Placees' agreements to participate in the March Closing of the Initial Placing, Admission of the Placing Shares to be issued pursuant to that closing of the Initial Placing by 8.00 a.m. on Thursday, 2 April 2015 (or such date, not being later than Friday, 3 April 2015, as the Company and Cantor Fitzgerald may agree);
  - (b) Placees' agreements to participate in the April Closing of the Initial Placing, Admission of the Placing Shares to be issued pursuant to that closing of the Initial Placing by 8.00 a.m. on Wednesday, 22 April 2015 (or such later date, not being later than Thursday, 30 April 2015, as the Company and Cantor Fitzgerald may agree); and
  - (c) Placees' agreements to participate in any other Placing, Admission of the Placing Shares to be issued pursuant to that Placing by 8.00 a.m. on such date as may be agreed between the Company and the Placing Agent prior to the closing of that Placing (or such later date, not being later than Friday, 4 March 2016, as the Company and Cantor Fitzgerald may agree); and
- (iii) the Placing Agent confirming to Placees their allocation of Placing Shares pursuant to the relevant Placing;

a Placee agrees to become a member of the Company and agrees to subscribe for those Placing Shares allocated to it by the Placing Agent at the applicable Placing Price pursuant to the relevant Placing.

4.2 Applications for Placing Shares must be for a minimum subscription amount of £50,000, provided that the Placing Agent may (in its absolute discretion) waive the minimum application amount in respect of any particular application for Placing Shares. There is no maximum subscription, unless notified to Placees.

4.3 By participating in a Placing, each Placee agrees that:

- (i) the exercise by the Placing Agent of any right of termination or other discretion under the Placing Agreement shall be within the absolute discretion of the Placing Agent and that the Placing Agent need not make any reference to the Placee in regard to such exercise and that, to the fullest extent permitted by law, the Placing

Agent shall not have any liability whatsoever to the Placee in connection with any such exercise;

- (ii) its rights and obligations pursuant to these Terms and Conditions will terminate only in the circumstances described in paragraph 3.3 of these Terms and Conditions; and
- (iii) to the fullest extent permitted by law, its rights and obligations pursuant to these Terms and Conditions will not be capable of rescission or termination by the Placee.

Nothing in this paragraph 4.3 will affect any other rights the Placee may have.

## **5. Representations and Warranties**

By agreeing to subscribe for Placing Shares pursuant to a Placing, each Placee which enters into a commitment to subscribe for Placing Shares will (for itself and any person(s) procured by it to subscribe for Placing Shares and any nominee(s) for any such person(s)) be deemed to agree, represent and warrant to each of the Company, the Placing Agent, the Manager, the Investment Manager and the Registrar that:

- (i) the Placee is relying solely on the information, statements and representations contained in the Prospectus and, accordingly: it agrees that
  - (a) it is not relying on any other information given, or statement or representation made, at any time by any person concerning the Company, the relevant Placing or any other matters; and
  - (b) none of the Company, the Placing Agent, the Manager, the Investment Manager, the Registrar, their respective affiliates or their respective officers, employees or agents will have any liability for any other information, statement or representation; and the Placee irrevocably and unconditionally waives any rights it may have in respect of any other information, statement or representation;
- (ii) the Placee acknowledges that no person is authorised in connection with any Placing to give any information or make any statement or representation other than as contained in the Prospectus and, if given or made, any information, statement or representation must not be relied on as having been authorised by the Company, the Placing Agent, the Manager or the Investment Manager;
- (iii) the Placee acknowledges that:
  - (a) none of the Placing Agent, any of its affiliates or any person acting on their behalf is making any recommendations to it, or advising it regarding the suitability of any transactions it may enter into, in connection with any Placing or providing it with any advice in relation to any Placing,
  - (b) the Placee's participation in any Placing is on the basis that it is not and will not be a client of the Placing Agent or any of its affiliates;
  - (c) the Placing Agent and its affiliates have no duties or responsibilities to the Placee for providing the protections afforded to their respective clients or for providing advice in relation to the relevant Placing or in respect of any representations, warranties, undertakings, acknowledgements and agreements contained in these Term and Conditions and/or the Placing Letter;
  - (d) the Placee has not relied on the Placing Agent, or any of its affiliates in connection with any investigation of the accuracy of any information, statements or representations contained in the Prospectus; and
  - (e) none of the Company, the Placing Agent, the Manager, the Investment Manager, the Registrar, their respective affiliates or their respective officers, employees or agents will have any liability for any decision by the Placee to participate in a Placing based on any information, statements or representations contained in the Prospectus or otherwise;

- (iv) having had the opportunity to read the Prospectus, the Placee shall be deemed to have had notice of all information, statements and representations contained in the Prospectus, it is acquiring Placing Shares solely on the basis of the Prospectus and no other information, statements or representations and, in accepting a participation in the Placing, the Placee confirms that it has had access to all information it believes necessary or appropriate in connection with its decision to subscribe for Placing Shares;
- (v) the content of the Prospectus is exclusively the responsibility of the Company, its Directors and any other persons stated therein as accepting responsibility for the Prospectus and, save for any liabilities or responsibilities (if any) that may be imposed on any of them under any regulatory regime, none of the Placing Agent, any person acting on its behalf or any of their respective affiliates makes any representation, express or implied, or accepts any responsibility whatsoever for the contents of the Prospectus or for any other information, statement or representation given or made, or purported to be given or made, by any of them or on its or their behalf in connection with the Company, the Initial Placing, the Offer, the Placing Programme, the Issues or any specific Placing;
- (vi) the Placee acknowledges that, where it is subscribing for Placing Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account;
  - (a) to subscribe for the Placing Shares for each such account;
  - (b) to make or give on each such account's behalf the representations, warranties, undertakings, acknowledgements and agreements contained in these Term and Conditions and/or the Placing Letter; and
  - (c) to receive on behalf of each such account any documentation relating to the relevant Placing in the form provided by the Company and/or the Placing Agent;
 and it agrees that the provisions of this sub-paragraph (vi) shall survive any resale of the Placing Shares by or on behalf of any such account;
- (vii) the Placee accepts that the allocation of Placing Shares shall be determined (after consultation with the Company and the Investment Manager) by the Placing Agent in its absolute discretion and that the Placing Agent may scale down any Placing commitments for this purpose on such basis as it may determine; and
- (viii) the Placee irrevocably appoints any director of the Company and any authorised signatory of the Placing Agent to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Placing Shares for which it has given a commitment under the relevant Placing, in the event of its own failure to do so;
- (ix) if it is within the United Kingdom, the Placee is a person who falls within Article 19, 48, 49 or 50 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or it is a person to whom the Placing Shares may otherwise lawfully be offered under such order;
- (x) if the Placee is outside the United Kingdom, neither the Prospectus nor any other offering, marketing or other material in connection with the relevant Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Placing Shares pursuant to the relevant Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Placing Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- (xi) if the Placee is a resident in the EEA (other than the United Kingdom):
  - (a) it is a qualified investor within the meaning of the law in the Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

- (b) if that Relevant Member State has implemented the AIFM Directive, that it is a person to whom the Placing Shares may lawfully be marketed under the AIFM Directive or under the applicable implementing legislation (if any) of that Member State;
- (xii) in the case of any Placing Shares acquired by the Placee as a financial intermediary (as that term is used in Article 3(2) of the Prospectus Directive):
  - (i) the Placing Shares acquired by it in the relevant Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors (as that term is defined in the Prospectus Directive) or in circumstances in which the prior consent of the Placing Agent has been given to the offer or resale; or
  - (b) where Placing Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons;
- (xiii) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreeing to subscribe for Placing Shares pursuant to a Placing, the Placee has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any such territory or jurisdiction and that it has not taken any action or omitted to take any action which will result in the Company, the Company, the Placing Agent, the Manager, the Investment Manager, the Registrar, any of their respective affiliates or any of their respective officers, employees or agents acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the relevant Placing;
- (xiv) the Placee does not have a registered address in, and is not a citizen, resident or national of, any Excluded Jurisdiction and it is not acting on a non-discretionary basis for any such person;
- (xv) the Placee accepts that none of the Placing Shares have been or will be registered under the laws of any jurisdiction other than the United Kingdom and, accordingly, the Placing Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Excluded Jurisdiction;
- (xvi) the Placee is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986;
- (xvii) any of the Placee's clients, whether or not identified to the Placing Agent or any of its affiliates, will remain the Placee's sole responsibility and will not become clients of the Placing Agent for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- (xviii) where the Placee (or any person acting on its behalf) is dealing with the Placing Agent, any money held in an account with the Placing Agent on behalf of the Placee (and/or any person acting on its behalf) will not be treated as client money within the meaning of the relevant rules and regulations of the FCA and, therefore, the Placing Agent will not be required to segregate such money and that money will be held by the Placing Agent under a banking relationship and not as trustee;
- (xix) the Placing Agent and the Company (and any agent on their behalf) are entitled to exercise any of their rights under the Placing Agreement or any other right in their absolute discretion without any liability whatsoever to them (or any agent on their behalf);
- (xx) the Placee accepts that, if the relevant Placing does not proceed or the conditions to the Placing Agreement or the relevant Placing are not, or cease to be, satisfied or the Placing Shares for which valid applications are received and accepted are not admitted to the Official List and to trading on the London Stock Exchange's Main Market for any reason

whatsoever, then none of the Company, the Placing Agent, the Manager, the Investment Manager, the Registrar, any of their respective affiliates or any of their respective officers, employees or agents shall have any liability whatsoever to the Placee or any other person;

- (xxi) the Placee warrants that it is a person:
  - (a) subject to the Money Laundering Regulations 2007 in force in the United Kingdom;
  - (b) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) (the "**Money Laundering Directive**");
  - (c) subject to the Money Laundering (Jersey) Order 2008, together with any regulations and guidance notes issued pursuant thereto; or
  - (d) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- (xxii) in connection with its participation in any Placing, the Placee has observed all relevant legislation, regulations and procedures in force from time to time and, in particular (but without limitation), those relating to anti-money laundering, anti-terrorism and contributing to the financing of criminal activities and that its application is only made on the basis that it accepts full responsibility for, and will comply with, all such relevant legislation, regulations and procedures, including the UK Criminal Justice Act 1993 and any requirement to verify the identity of its clients and other persons in respect of whom it has applied;
- (xxiii) the Placee acknowledges that, due to anti-money laundering requirements, the Company, the Placing Agent or the Registrar may require proof of identity and verification of the source of the payment before the Placee's application can be processed and that, in the event of delay or failure by the Placee to produce any information required for verification purposes, the Company, the Placing Agent or the Registrar may refuse to accept its application and the subscription moneys relating thereto and the Placee holds harmless and will indemnify the Company, the Placing Agent or the Registrar against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been required has not been provided by it;
- (xxiv) the Placee acknowledges that any person in Jersey involved in the business of the Company who has a suspicion or belief that any other person (including the Company or any person subscribing for Placing Shares) is involved in money laundering activities is under an obligation to report such suspicion to their reporting officer pursuant to the Money Laundering (Jersey) Order 2008;
- (xxv) the Placee acknowledges and agrees that information provided by it to the Company, the Placing Agent or the Registrar will be stored both on the Registrar's and/or the Administrators' computer systems and manually and it acknowledges and agrees that for the purposes of the Data Protection (Jersey) Law 2005 and other relevant data protection legislation which may be applicable, the Registrar is required to specify the purposes for which it will hold personal data – the Registrar will only use such information for the following purposes:
  - (i) verifying the identity of the individual to comply with statutory and regulatory requirements in relation to the prevailing anti-money laundering, anti-terrorism and contributing to the financing of criminal activities legislation, regulations and procedures in force from time to time in Jersey and/or the United Kingdom;
  - (ii) meeting the legal, regulatory, reporting and/or financial obligations of the Company in Jersey, the UK or elsewhere;

- (iii) administering Shareholders' interests in the Company, including maintaining the Company's register of members and effecting the payment of dividends in respect of the Ordinary Shares and generally;
- (iv) carrying out the business of the Company; and
- (v) disclosing personal data to other functionaries, agents or third parties appointed by the Company to operate and/or administer the Company.]

and, in providing the Company, the Placing Agent or the Registrar with information, the Placee represents and warrants to them that it has obtained the consent of any data subject to the Company, the Placing Agent or the Registrar and their respective affiliates and agents holding and using their personal data for the purposes referred to in this subparagraph (xxv) (including the explicit consent of the data subjects for the processing of any sensitive personal data for such purposes) and, for the purposes of these Terms and Conditions, "data subject", "personal data" and "sensitive personal data" shall have the meanings attributed to them in the Data Protection (Jersey) Law 2005;

- (xxvi) time shall be of the essence as regards the Placee's obligations to settle payment for the Placing Shares and to comply with its other obligations under the Initial Placing and/or the Placing Programme and
- (xxvii) the Placees agrees that the foregoing representations, warranties, undertakings, acknowledgements and agreements given by the Placee pursuant to these Terms and Conditions are irrevocable and the Placee acknowledges that the Company, the Placing Agent, the Investment Manager, the Manager, the Registrar, their respective affiliates and their respective directors, officers, employees, agents, advisers and others will rely on the truth and accuracy of the foregoing representations, warranties, undertakings, acknowledgements and agreements and the Placee agrees that, if any of such representations, warranties, undertakings, acknowledgements and agreements are no longer accurate or have not been complied with, it shall promptly notify the Company and the Placing Agent in writing.

## **6. United States Purchase and Transfer Restrictions**

By participating in a Placing, each Placee acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for Placing Shares and any nominee(s) for any such person(s)) be deemed to represent, warrant and acknowledge to, and agree with, each of the Company, the Placing Agent, the Investment Manager or the Manager that:

- (i) if it is located outside the United States, it is not a US Person, it is acquiring the Placing Shares in an "offshore transaction" within the meaning of, and in reliance on, Regulation S and it is not acquiring the Placing Shares for the account or benefit of a US Person;
- (ii) if it is located inside the United States or is a US Person, it has received, read, understood and, prior to its receipt of any Placing Shares, executed and returned an executed US subscription agreement to the Company for the benefit of the Company, the Placing Agent, the Manager and the Investment Manager;
- (iii) it acknowledges that the Placing 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 may not be offered or sold in the United States or to, or for the account or benefit of, US Persons absent registration or an exemption from registration under the US Securities Act;
- (iv) it acknowledges that the Company has not registered under the US Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Company is not and will not be required to register under the US Investment Company Act;
- (v) it acknowledges that neither the Manager nor the Investment Manager has registered under the US Investment Advisers Act;

- (vi) unless the Company expressly consents otherwise in writing, no portion of the assets used to purchase, and no portion of the assets used to hold, the Placing Shares or any beneficial interest therein constitutes or will constitute the assets of:
  - (a) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA;
  - (b) a "plan" as defined in Section 4975 of the Tax Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Tax Code; or
  - (c) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the Tax Code.
- (vii) if the Placee is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Tax Code, its purchase, holding, and disposition of Placing Shares will not constitute or result in a non-exempt violation of any such substantially similar law;
- (viii) if any Placing Shares offered and sold pursuant to Regulation S are issued in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect, unless otherwise determined by the Company in accordance with applicable law:

"New City High Yield Fund Limited (the "Company") has not been, and will not be, registered under the US Investment Company Act of 1940, as amended, (the "US Investment Company Act"). In addition, the securities of the Company represented by this certificate (the "Securities") have not been, and will not be, registered under the US Securities Act of 1933, as amended, (the "US Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, the Securities may not be offered, sold, pledged, exercised or otherwise transferred within the United States or to, or for the account or benefit of, US Persons except in accordance with the US Securities Act or an exemption therefrom and under circumstances which will not require the Company to register under the US Investment Company Act, in each case in accordance with all applicable securities laws."

provided, that if any Placing Shares are being sold pursuant to sub-paragraph (ix) below, and if the Company is a "foreign issuer" within the meaning of Regulation S at the time of sale, any such legend may be removed on delivery of the certification described in sub-paragraph (x) below, and provided further, that, if any Placing Shares are being sold pursuant to sub-paragraph (x) below, the legend may be removed by delivery to the Company of an opinion of counsel of recognised standing in form and substance reasonably satisfactory to the Company, to the effect that such legend is no longer required under applicable requirements of the US Securities Act, US Investment Company Act or state securities laws;

- (ix) if, in the future, the Placee decides to offer, sell, transfer, assign or otherwise dispose of its Placing Shares, it will do so only in compliance with an exemption from the registration requirements of the US Securities Act and under circumstances which will not require the Company to register under the US Investment Company Act and the Placee acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the restrictions in this paragraph 6 will be subject to the compulsory transfer provisions as provided in the Articles;
- (x) if the Placee is a person described in sub-paragraph (i) above and, if in the future it decides to offer, resell, pledge or otherwise transfer any of the Placing Shares, such Placing Shares may be offered, resold, pledged or otherwise transferred only:

- (a) outside the United States to non-US Persons in an offshore transaction in accordance with Rule 904 of Regulation S (including, for example, an ordinary trade over the London Stock Exchange), provided that the Company is a "foreign issuer" within the meaning of Regulation S at the time of sale, on delivery to the Company of an exit certificate executed by the transferor in a form reasonably satisfactory to the Company;
  - (b) in a transaction that does not require registration under the US Securities Act or any applicable United States securities laws and regulations or require the Company to register under the US Investment Company Act, subject to delivery to the Company of a US subscription agreement executed by the transferee in a form reasonably satisfactory to the Company; or
  - (c) to the Company;
- (xi) it is purchasing the Placing Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Placing Shares in any manner that would violate the US Securities Act, the US Investment Company Act or any other applicable securities laws;
  - (xii) it acknowledges that the Company reserves the right to make inquiries of any holder of the Placing Shares or interests therein at any time as to such person's status under US federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under US securities laws to transfer such Placing Shares or interests in accordance with the Articles;
  - (xiii) it acknowledges and understands that the Company is required to comply with FATCA and agrees to furnish any information and documents the Company may from time to time request, including, but not limited to, information required under FATCA;
  - (xiv) it is entitled to acquire the Placing Shares under the laws of all relevant territories and jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any such territories and jurisdictions and that it has not taken any action, or omitted to take any action, which may result in the Company, the Placing Agent, the Manager, the Investment Manager, the Registrar, any of their respective affiliates or any of their respective directors, officers, employees, agents and advisers being in breach of the laws of any jurisdiction in connection with the Placing or the Placee's acceptance of participation in the Placing;
  - (xv) it has received, carefully read and understands the Prospectus, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted all or any part of the Prospectus or any other offering, marketing or other materials concerning the Placing Shares to or within the United States or to any US Persons, nor will it do any of the foregoing;
  - (xvi) if it is acquiring any Placing Shares as a fiduciary or agent for one or more accounts, the Placee has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, undertakings, acknowledgements and agreements on behalf of each such account; and
  - (xvii) the Company, the Placing Agent, the Investment Manager, the Manager, the Registrar, their respective affiliates and their respective directors, officers, employees, agents, advisers and others will rely on the truth and accuracy of the foregoing representations, warranties, undertakings, acknowledgements and agreements and the Placee agrees that, if any of such representations, warranties, undertakings, acknowledgements and agreements are no longer accurate or have not been complied with, it shall promptly notify the Company and the Placing Agent in writing.

## **7. Registration and Settlement**

- 7.1 Settlement of transactions in the Placing Shares following their Admission will take place within the CREST system, using the DVP mechanism, subject to certain exceptions. The Placing Agent reserves the right to require settlement for, and delivery of, Placing Shares to Placees by such other means as it may deem necessary, if delivery or settlement is not possible or practicable within the CREST system within the timetable set out in the Prospectus or would not be consistent with the regulatory requirements in the Placee's jurisdiction.
- 7.2 Each Placee allocated Placing Shares pursuant to a Placing will be sent a trade confirmation stating the number of Placing Shares allocated to it, the applicable Placing Price, the aggregate amount owed by such Placee to the Placing Agent and settlement instructions. Each Placee agrees that it will do all things necessary to ensure that delivery and payment is completed in accordance with either the standing CREST or certificated settlement instructions which it has in place with the Placing Agent.
- 7.3 It is expected that settlement will be on a T+2 basis in accordance with the instructions set out in the trade confirmation.
- 7.4 Each Placee must pay the applicable Placing Price for Placing Shares allocated to it on the due date in accordance with the arrangements referred to in this paragraph 7. Interest will be chargeable daily on payments not received from Placees on the due date in accordance with such arrangements, with the rate of interest being the then published bank base rate of a clearing bank selected by the Placing Agent plus 2.0 per cent. per annum.
- 7.5 If any Placee fails to comply with its payment obligations as set out in this paragraph 7, the Placee's application for Placing Shares may, at the discretion of the Placing Agent, either be rejected or accepted. Each Placee is deemed to agree that, if it does not comply with its payment obligations as set out in this paragraph 7 and the Placing Agent elects to accept the Placee's application, the Placing Agent may sell any or all of the Placing Shares allocated to the Placee on such Placee's behalf and retain from the proceeds, for its own account and profit, an amount equal to the aggregate amount owed by the Placee plus any interest due. However, the Placee will remain liable for any shortfall below the aggregate amount owed by such Placee and it may be required to bear any tax or other charges (together with any interest or penalties) which may arise on the sale of such Placing Shares on such Placee's behalf.
- 7.6 If Placing Shares are to be delivered to a custodian or settlement agent, the Placee should ensure that the trade confirmation is copied and delivered immediately to the relevant person within that organisation.
- 7.7 Insofar as Placing Shares are registered in the Placee's name or that of its nominee or in the name of any person for whom the Placee is contracting as agent or that of a nominee for such person, such Placing Shares will, subject as provided below, be so registered free from any liability to PTM levy, stamp duty or stamp duty reserve tax. If there are any circumstances in which any other stamp duty or stamp duty reserve tax is payable in respect of the issue of the Placing Shares, neither the Placing Agent nor the Company shall be responsible for the payment thereof.

## **8. Supply and Disclosure of Information**

If the Company, the Placing Agent, the Registrar or any of their respective agents request any information about a Placee's agreement to subscribe for Placing Shares pursuant to a Placing, such Placee must promptly disclose it to them.

## **9. Miscellaneous**

- 9.1 On application, if a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with a Placing will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.
- 9.2 Each Placee agrees to be bound by the Articles once the Placing Shares, which the Placee has agreed to subscribe for pursuant to a Placing, have been acquired by the Placee. The contract to subscribe for Placing Shares pursuant to a Placing and the appointments and authorities mentioned in the Prospectus and all disputes and claims arising out of or in connection with its subject matter or formation (including non-contractual disputes or claims) will be governed by, and construed in accordance with, the laws of England and Wales. For the benefit of the Company and the Placing Agent, each Placee irrevocably submits to the non-exclusive jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against the Placee in any other jurisdiction.
- 9.3 In the case of a joint agreement to subscribe for Placing Shares pursuant to a Placing, references to a "Placee" in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.
- 9.4 Subject to complying with the public hands test set out in Rule 6.1.19(4)R of the Listing Rules, there are no minimum gross proceeds required for any Placing.
- 9.5 The Company and the Placing Agent expressly reserve the right to modify any Placing (including, without limitation, the timetable and settlement arrangements) at any time before allocations are determined.
- 9.6 The rights and remedies of the Company, the Placing Agent, the Investment Manager, the Manager, their respective affiliates and their respective agents under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

## PART 9

### TERMS AND CONDITIONS OF OFFER FOR SUBSCRIPTION

#### 1. Introduction

1.1 The words and expressions listed below have the meanings set out opposite them throughout this Part 9 except where the context otherwise requires:

<b>"Agents"</b>	Cantor Fitzgerald and/or the Receiving Agent, as the context may require;
<b>"CDD Rules"</b>	the prevailing anti-money laundering, anti-terrorism and contributing to the financing of criminal activities legislation, regulations and procedures in force from time to time in Jersey and/or the United Kingdom;
<b>"Prospectus"</b>	this prospectus and, in respect of: (i) applications to participate in the March Closing of the Offer, any supplementary prospectus published by the Company in accordance with the Prospectus Rules prior to Admission of the new Ordinary Shares to be issued pursuant to that closing of the Offer; or (ii) applications to participate in the April Closing of the Offer, any supplementary prospectus published by the Company in accordance with the Prospectus Rules prior to Admission of the new Ordinary Shares to be issued pursuant to that closing of the Offer;
<b>"Terms and Conditions"</b>	the terms and conditions of the Offer set out in this Part 9; and
<b>"you"</b>	the applicant(s) who complete(s) the Application Form and, where the Application Form has been on behalf of another person or a company or other body corporate, that person, company or other body corporate.

1.2 These Terms and Conditions apply to each application made pursuant to the Offer. Accordingly, if you apply for new Ordinary Shares pursuant to the Offer, by completing the Application Form you will be:

- (i) deemed to have read and understood the Prospectus in its entirety and to be providing the representations, warranties, undertakings, acknowledgements and agreements contained in these Term and Conditions to the Company, its Agents, the Manager, the Investment Manager and the Registrar; and
- (ii) bound by these Terms and Conditions and will be deemed to have accepted them.

#### 2. Application to Acquire Ordinary Shares Pursuant to the Offer

2.1 Applications must be made on:

- (i) the Application Form in Part 11 of this Prospectus (or otherwise published by the Company) to participate in the March Closing of the Offer; or
- (ii) the Application Form in Part 12 of this Prospectus (or otherwise published by the Company) to participate in the April Closing of the Offer.

Investors may make more than one application for Ordinary Shares to participate in the March Closing of the Offer and/or the April Closing of the Offer. However, each completed Application Form must:

- (a) specify the fixed amount, in sterling, being the aggregate value, at the Initial Issue Price, of the new Ordinary Shares that the applicant wishes to apply for pursuant to the Offer and must be for a minimum aggregate value of £1,000 and, if for a higher amount, a multiple of £1,000; and
- (b) be accompanied by a cheque or banker's draft in accordance with the instructions set out in paragraph 4 of Part 10 of this Prospectus (or such other method of payment as may be agreed by the Company and the Receiving Agent).

Applicants may send subscription moneys by electronic bank transfer (CHAPS), provided payment is made for value by 11.00 a.m. on Friday, 27 March 2015 (in respect of the March Closing) or Thursday, 16 April 2015 (in respect of the April Closing). Applicants wishing to pay their subscription moneys in this way must contact Computershare Investor Services PLC by email at [NewCityOFS@computershare.co.uk](mailto:NewCityOFS@computershare.co.uk) for full bank details or telephone the investor helpline (details of which are on the Application Form) for further information. The Receiving Agent will then provide the applicant with a unique reference number which must be used when sending payment.

Alternatively, applicants may choose to settle via CREST (i.e. DVP), but they will need to match their instructions to Computershare's participant account 8RA20 by no later than 1.00 p.m. on Tuesday, 31 March 2015 (in respect of the March Closing) or Monday, 20 April 2015 (in respect of the April Closing), allowing for the delivery and acceptance of Ordinary Shares to be made against payment of the Issue Price, following the CREST matching criteria set out in the Application Form. A completed Application Form must also still be returned.

## 2.2 By completing and delivering an Application Form, you:

- (i) offer to subscribe for the number of new Ordinary Shares (rounded down to the nearest whole number) as shall have an aggregate value, at the Initial Issue Price, equal (as nearly as practicable) to the amount specified in section 1 of your Application Form (or such lesser number for which your application is accepted) on the terms, and subject to the conditions, set out in:
  - (a) the Prospectus (including these Terms and Conditions, the notes on how to complete the Application Form in Part 10 of this Prospectus and the instructions in the Application Form); and
  - (b) the memorandum and articles of association of the Company;
 and you agree to be bound by and adhere to the memorandum and articles of association of the Company as if you were directly a party to the same;
- (ii) agree that, in consideration of the Company agreeing that it will not, prior to Admission, offer for subscription any new Ordinary Shares to any person other than by means of the procedures referred to in the Prospectus:
  - (a) your application may not be revoked by you until after:
    - (1) Thursday, 2 April 2015 in the case of applications made using the Application Form set out in Part 11 of this Prospectus; or
    - (2) Wednesday, 22 April 2015 in the case of applications made using the Application Form set out in Part 12 of this Prospectus;
 and shall not be revoked by you after Admission; and
  - (b) this paragraph 2 shall constitute an irrevocable collateral contract between you, the Company and its Agents which will become binding on despatch by post to or, in the case of delivery by hand, on receipt by the Receiving Agent of your Application Form;
- (iii) undertake to pay (by cheque or banker's draft or such other method of payment as may be agreed with the Company and the Receiving Agent) the Initial Issue Price for the Ordinary Shares (payable in full on application) in respect of which your application is accepted and warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such

remittance is not so honoured you will not be entitled to have any new Ordinary Shares applied for in uncertificated form credited to a CREST account or to receive a certificate for any new Ordinary Shares applied for in certificated form or to enjoy or receive any rights in respect of such new Ordinary Shares unless and until you make payment in cleared funds for such new Ordinary Shares and such payment is accepted by the Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Company and its Agents against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and the Company and Cantor Fitzgerald may (without prejudice to any other rights it may have) terminate the agreement to allot and issue such new Ordinary Shares to you and may allot and issue them to some other person(s), in which case you will not be entitled to any refund or payment in respect thereof (other than the refund to you, at your risk and without interest, of any proceeds of the remittance, once honoured, which accompanied your Application Form and which is received by the Receiving Agent in cleared funds);

- (iv) agree that the crediting to a CREST account of any new Ordinary Shares in uncertificated form to which you may become entitled may be delayed by, and that any certificate in respect of any new Ordinary Shares in certificated form to which you or, in the case of joint applicants, any of the persons specified by you in your Application Form may become entitled and any moneys returnable to you may be retained by, the Receiving Agent:

- (a) pending clearance of your remittance;
- (b) pending investigation of any suspected breach of the warranties contained in paragraph 8.4 of these Terms and Conditions or any other suspected breach of these Terms and Conditions; or
- (c) pending any verification of identity (to the satisfaction of the Company and its Agents) which is, or which the Company and its Agents consider may be, required for the purposes of compliance with the CDD Rules;

and you agree that any interest accruing on any such retained moneys shall accrue to and for the sole benefit of the Company;

- (v) agree, on the request of the Company or its Agents, to disclose promptly in writing to them such information as the Company or its Agents may request in connection with your application and authorise the Company and its Agents to disclose any information relating to your application which they may consider appropriate;
- (vi) agree that, if evidence of identity satisfactory to the Company and its Agents is not provided to the Receiving Agent within a reasonable time (in the opinion of the Company) following a request therefor, the Company and Cantor Fitzgerald may terminate the agreement to allot and issue such new Ordinary Shares to you and may allot and issue them to some other person(s), in which case you will not be entitled to any refund or payment in respect thereof (other than the refund to you, at your risk and without interest, of any proceeds of the remittance, once honoured, which accompanied your Application Form and which is received by the Receiving Agent in cleared funds)
- (vii) warrant and confirm that:
  - (a) you are not applying on behalf of a person engaged in money laundering, drug trafficking or terrorism; and
  - (b) none of the moneys transferred or to be transferred to (or for the account of) the Company or its Agents for the purposes of the application are or will be the proceeds of criminal activities;
- (viii) undertake to ensure that, in the case of an Application Form signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form;

- (ix) undertake to pay interest at the rate described in paragraph 3.4 of these Terms and Conditions if the remittance accompanying your Application Form is not honoured on first presentation (or the amount due in respect of your application is not received by the Receiving Agent in cleared funds prior to Admission);
  - (x) authorise the Receiving Agent, on behalf of the Company:
    - (a) subject to sub-paragraph (xi) below, to credit the CREST account specified in section 5 of your Application Form with the number of new Ordinary Shares for which your application is accepted; or
    - (b) if section 5 of your Application Form is not completed or, notwithstanding completion of that section, the new Ordinary Shares for which your application is accepted are issued in certificated form pursuant to sub-paragraph (xi) below, to send a definitive certificate in respect of the number of new Ordinary Shares for which your application is accepted by post to your address (or that of the first-named applicant) as set out in your Application Form;
  - (xi) agree that, and in the event that you have specified a CREST account in section 5 of the Application Form and there are any difficulties or delays in crediting CREST accounts with new Ordinary Shares issued pursuant to, or the use of CREST in relation to, the Initial Placing and the Offer, the Company and Cantor Fitzgerald may agree that the new Ordinary Shares that would otherwise have been issued to you in uncertificated form pursuant to the Offer should be issued instead in certificated form;
  - (xii) authorise the Receiving Agent, in respect of any moneys returnable in relation to your application, to return such moneys in accordance with paragraph 5 of these Terms and Conditions;
  - (xiii) consent to the processing of personal data (as defined in the Data Protection (Jersey) Law 2005) by the parties referred to, and in the manner described, in the section headed "Data Protection" on pages 32 and 33 of this Prospectus; and
  - (xv) agree that your Application Form is addressed to the Company and its Agents.
- 2.3 You agree that a failure by the Company or its Agents to receive, process or accept your application for Ordinary Shares does not give rise to any right of action by any person against the Company, its Agents or any other person.

### **3. Acceptance of Applications and Allocations**

- 3.1 You agree that acceptance of your application, if it is validly received (or treated as valid), processed (and not rejected) and provided that it is not rejected subsequently as a result of a failure by you to comply with these Terms and Conditions, shall be constituted at the election of the Company, after consultation with Cantor Fitzgerald, either:
- (i) by notifying the UK Listing Authority of the basis of allocation (in which case the acceptance will be on that basis); or
  - (ii) by notifying acceptance to the Receiving Agent.
- You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other right you may have.
- 3.2 The basis of allocation will be determined by Cantor Fitzgerald in consultation with the Company and subject to the terms and conditions set out in the Prospectus. Notwithstanding the basis so determined, the right is reserved by Cantor Fitzgerald in consultation with the Company:
- (i) to reject in whole or in part and/or scale down any application; or
  - (ii) to treat as valid any application not complying fully with these Terms and Conditions or not in all respects completed or delivered in accordance with the

notes on how to complete the Application Form in Part 10 of this Prospectus and the instructions in the Application Form.

- 3.3 The Company and its Agents reserve the right to waive in whole or in part any of the provisions of these Terms and Conditions, either generally or in respect of one or more applications. In particular, but without limitation, the Company reserves the right (but shall not be obliged) to accept:
- (i) an application for less than £1,000, or which is for more than £1,000 but not a multiple of £1,000;
  - (ii) an application made otherwise than by completion of an Application Form where you have agreed with it (or its Agents) to apply in accordance with these Terms and Conditions in some other manner satisfactory to the Company and its Agent; and
  - (iii) Application Forms and accompanying remittances which are received through the post:
    - (a) in respect of the March Closing, after 11.00 a.m. on Thursday, 26 March 2015 but prior to Thursday, 2 April 2015 (or such later date, not being later than Friday, 3 April 2015 as the Company and Cantor Fitzgerald may agree); and
    - (b) in respect of the April Closing, after 11.00 a.m. on Wednesday, 15 April 2015 but prior to Wednesday, 22 April 2015 (or such later date, not being later than Thursday, 30 April 2015 as the Company and Cantor Fitzgerald may agree).
- 3.4 The right is reserved to present all cheques for payment on receipt by the Receiving Agent and to retain documents of title and surplus application moneys pending clearance of successful applicants' cheques. The Company may require you to pay interest or its other resulting costs (or both) if any cheque accompanying your application is not honoured on first presentation. If you are required to pay interest, you will be obliged to pay the amount determined by the Company to be the interest on the amount of the cheque from the date on which the basis of allocation under the Offer is publicly announced until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by the Company plus 2.0 per cent. per annum.

#### **4. Conditions**

The contracts created by the acceptance of applications (in whole or in part) under the Offer will be conditional on, *inter alia*:

- (i) the Placing Agreement becoming unconditional (save only for Admission) and neither the Placing Agreement nor Cantor Fitzgerald's obligations thereunder having been terminated in accordance with the terms of the Placing Agreement prior to:
  - (a) in respect of the March Closing, Thursday, 2 April 2015 (or such later date, not being later than Friday, 3 April 2015, as the Company and Cantor Fitzgerald may agree); and
  - (b) in respect of the April Closing, Wednesday, 22 April 2015 (or such later date, not being later than Thursday, 30 April 2015, as the Company and Cantor Fitzgerald may agree); and
- (ii) in respect of:
  - (a) applications to participate in the March Closing of the Offer, Admission of the new Ordinary Shares to be issued pursuant to that closing of the Offer by 8.00 a.m. on Thursday, 2 April 2015 (or such date, not being later than Friday, 3 April 2015, as the Company and Cantor Fitzgerald may agree); or
  - (b) applications to participate in the April Closing of the Offer, Admission of the new Ordinary Shares to be issued pursuant to that closing of the Offer by 8.00 a.m. on

Wednesday, 22 April 2015 (or such later date, not being later than Thursday, 30 April 2015, as the Company and Cantor Fitzgerald may agree).

## **5. Return of Application Moneys**

If:

- (i) any application is not accepted in whole or is accepted in part only (as a result of any scaling back of any part of an application); or
- (ii) any contract created by acceptance does not become unconditional;

the application moneys or, as the case may be, the balance of the amount paid on application will be returned, at the risk of the person(s) entitled thereto and without interest, by returning your cheque or by crossed cheque in favour of the first-named applicant by post. In the meantime, application moneys will be retained by the Receiving Agent in a separate account.

## **6. Representations and Warranties**

By completing an Application Form, you:

- (i) warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person or corporation and that such other person or corporation will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions and undertake to enclose your power of attorney (or a complete copy duly certified by a solicitor or notary);
- (ii) warrant that, if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any such territory or jurisdiction and that you have not taken any action or omitted to take any action which will result in the Company, either of its Agents, any of their respective affiliates or any of their respective officers, employees or agents acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Offer in respect of your application;
- (iii) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information, statements and representations contained in it;
- (iv) confirm that your application is made solely on the basis of the information, statements and representations contained in the Prospectus and, accordingly, you confirm that:
  - (a) in making an application you are not relying on any other information, statements or representations;
  - (b) no person responsible solely or jointly for the Prospectus (or any part of it) shall have any liability for any other information, statements or representations;
- (v) acknowledge that no person is authorised in connection with the Offer to give any information or make any representations, statements other than as contained in the Prospectus and, if given or made, any such information, statements or representations must not be relied on as having been authorised by the Company or Cantor Fitzgerald;
- (vi) warrant that either you are an individual who is not under the age of 18 on the date of your application or a company or other body corporate duly incorporated and validly existing with authority to sign the Application Form and to apply for new Ordinary Shares pursuant to the Offer;
- (vii) agree that all documents and moneys sent by post to, by or on behalf of the Company or either of its Agents will be sent at your risk and, in the case of documents and returned moneys to be sent to you, may be sent to you at your address (or, in the case of joint

- applicants, the address of the first-named applicant) as set out in section 2 of your Application Form;
- (viii) warrant that you are not applying as, or as nominee or agent of, a person who is or may be a person mentioned in any of sections 67, 70, 93 or 96 of the UK Finance Act 1986 (depository receipts and clearance services);
  - (ix) confirm that you have reviewed the restrictions contained in paragraph 8 of these Terms and Conditions and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions in that paragraph; and
  - (x) warrant that the details inserted by you in your Application Form are correct.

## **7. Money Laundering**

- 7.1 You agree that, in order to ensure compliance with the CDD Rules, the Receiving Agent may require (at its absolute discretion), and you will provide, evidence which is satisfactory to the Receiving Agent to establish your identity or that of any person on whose behalf you are acting and/or your status. Without prejudice to the foregoing generality, such evidence may be required if you either
- (i) tender payment by way of cheque or banker's draft drawn on an account in the name of another person or persons (in which case verification of your identity may be required); or
  - (ii) appear to the Receiving Agent to be acting on behalf of some other person (in which case verifications of identity of any persons on whose behalf you appear to be acting may be required).

Failure to provide the necessary evidence of identity (in a manner satisfactory to the Company and its Agents, including in respect of the manner of its certification) may result in your application(s) being rejected or delays in your CREST account(s) being credited (if applicable) or the despatch of any documents.

- 7.2 Without prejudice to the generality of paragraph 7.1 of these Terms and Conditions, verification of the identity of applicants will be required if the aggregate value, at the Initial Issue Price, of the new Ordinary Shares applied for, whether in one or more applications, exceeds €15,000 (or its sterling equivalent, being at 3 March 2015 approximately £11,000). If the aggregate value, at the Initial Issue Price, of the new Ordinary Shares which you are applying for, whether in one or more applications, exceeds €15,000 (or its sterling equivalent, being at 3 March 2015 approximately £11,000), you must read note 8 in the notes on how to complete the Application Form in Part 10 of this Prospectus and ensure that section 8.1, 8.2 or 8.3 (as appropriate) of the Application Form is completed.

## **8.1 Overseas Investors**

- 8.1 If you are not in the UK, you must read both the section headed "Selling Restrictions" on pages 30 to 32 of this Prospectus (such section is deemed to be incorporated into, and to form part of, these Terms and Conditions) and this paragraph 8.
- 8.2 The distribution of the Prospectus, any Placing and/or any issue of Placing Shares in certain jurisdictions may be restricted by law and/or regulation. No action has been taken by the Company or its Agents that would permit an offer of Ordinary Shares or possession or distribution of the Prospectus, the Application Form or any other publicity material relating to the Ordinary Shares in any jurisdiction where action for that purpose is required. Neither the Prospectus nor the Application Form constitutes an offer to sell or issue or a solicitation of an offer to buy or subscribe for Ordinary Shares in any Excluded Jurisdiction. None of the Prospectus, the Application Form or the information contained in the Prospectus is for publication or distribution, directly or indirectly, to persons in an Excluded Jurisdiction unless permitted pursuant to an exemption under the relevant local law or regulation in any such Excluded Jurisdiction.

- 8.3 Accordingly, if you receive a copy of the Prospectus or an Application Form in any jurisdiction other than the United Kingdom you may not treat it as constituting an invitation or offer to you, nor should you, in any event, use an Application Form unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to you or an Application Form could lawfully be used without contravention of any registration or other legal requirements. It is your responsibility, if you are outside the United Kingdom and wish to make an application for new Ordinary Shares under the Offer, to satisfy yourself as to full observance of the laws of any relevant jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 8.4 Unless the Company and Cantor Fitzgerald agree otherwise in writing, by applying for new Ordinary Shares pursuant to the Offer, you will be deemed to have represented, warranted and agreed to and with the Company and Cantor Fitzgerald that you:
- (a) are not a US Person or a resident of any other Excluded Jurisdiction;
  - (b) are not a corporation, partnership or other entity organised under the laws of any Excluded Jurisdiction;
  - (c) are not subscribing for such Ordinary Shares for the account of any US Person or any resident of any other Excluded Jurisdiction; and
  - (d) will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Ordinary Shares to any US Person or in or into any Excluded Jurisdiction or to any US Person or to any resident in any other Excluded Jurisdiction.

The Company, its Agents, the Investment Manager, the Manager, the Registrar, their respective affiliates and their respective directors, officers, employees, agents, advisers and others will rely on the truth and accuracy of such deemed representation, warranty and agreement and you agree that, if any deemed representation, warranty and agreement is no longer accurate or has not been complied with, you shall promptly notify the Receiving Agent in writing.

- 8.5 No application will be accepted if it bears an address in the United States.

## **9. Miscellaneous**

- 9.1 To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the new Ordinary Shares and the Offer.
- 9.2 The rights and remedies of the Company and its Agents pursuant to these Terms and Conditions are in addition to any rights and remedies that may otherwise be available to them, and the exercise or partial exercise of one will not prevent the exercise of others.
- 9.3 Cantor Fitzgerald is acting for the Company and for no one else in connection with the Initial Placing, the Offer, the Placing Programme and the Issues and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Cantor Fitzgerald or for affording advice in relation to the Initial Placing, the Offer, the Placing Programme, the Issues or any other matter referred to in the Prospectus. Accordingly, you acknowledge and confirm that Cantor Fitzgerald will not:
- (i) treat you as its client by virtue of your application being accepted pursuant to the Offer; or
  - (ii) owe you any duties concerning the Initial Issue Price, the suitability of new Ordinary Shares for you or any other matter in relation to the Offer.

Nothing in this paragraph 9.3 shall serve to exclude or limit any responsibilities that Cantor Fitzgerald may have under FSMA or the regulatory regime established under FSMA.

- 9.4 You authorise the Receiving Agent or any person authorised by them or the Company, as your agent, to do all things necessary to effect registration of any new Ordinary Shares for which your application is accepted in your name(s) and authorise any representatives of the Receiving Agent to execute and/or complete any document required therefor.
- 9.7 You agree that all applications, acceptances of applications and contracts resulting therefrom pursuant to the Offer shall be governed by, and construed in accordance with, laws of England and Wales and that, for the benefit of the Company and its Agents, you irrevocably submit to the non-exclusive jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against you in any other jurisdiction.
- 9.8 Times and dates referred to in these Terms and Conditions (and elsewhere in the Prospectus, including the Application Forms) are subject to change and may be extended or brought forward by the Company (with the agreement of Cantor Fitzgerald and the Investment Manager). Any such change will be notified to investors by the Company making an announcement via a Regulatory Information Service.
- 9.9 Except as may be contained in the Intermediaries' Terms and Conditions, no commissions are available to intermediaries applying pursuant to the Offer on behalf of clients.

## **PART 10**

### **NOTES ON HOW TO COMPLETE THE APPLICATION FORM**

Before completing the Application Form, ALL APPLICANTS should read notes 1-5, 7, 8 and 9 of this Part 10. JOINT APPLICANTS should also read note 6 of this Part 10.

#### **1. Application**

Fill in (in figures) in the box in section 1 of the Application Form the fixed amount, in sterling, being the aggregate value, at the Initial Issue Price, of the new Ordinary Shares that that you wish to apply for under the Offer. Your application must be for a minimum aggregate value of £1,000 and, if for more than £1,000, a multiple of £1,000.

#### **2. Personal Details**

Fill in (in BLOCK CAPITALS) the full name and address of the applicant. If your application is being made jointly with other persons, please read note 6 of this Part 10 before completing section 2 of the Application Form.

#### **3. Signature**

The applicant named in section 2 of the Application Form must date and sign section 3 of the Application Form.

The Application Form may be signed by another person on your behalf if that person is duly authorised to do so under a power of attorney. The original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated.

#### **4. How to Pay**

##### **4.1 *Cheque or Banker's Draft***

Attach a cheque or banker's draft for the exact amount shown in section 1 of the Application Form to your completed Application Form (if you complete more than one Application Form, a separate cheque or banker's draft must be attached to each Application Form for the exact amount shown in section 1 of the relevant Application Form). Your cheque or banker's draft must be made payable to "CIS PLC RE::New City High Yield Fund Limited" and crossed "A/C Payee". No receipt will be issued.

Payment must be made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom, the Channel Islands or the Isle of Man of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of either of those companies. Such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner.

Cheques must be drawn on the personal account on the individual investor where they have a sole or joint title to the funds (the account name should be the same as that shown on the Application Form). Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the cheque or banker's draft and adds its stamp.

#### 4.2 **Electronic Bank Transfers**

Applicants may send subscription moneys by electronic bank transfer (CHAPS), provided payment is made for value by 11.00 a.m. on Thursday, 26 March 2015 (in respect of the March Closing) or Wednesday, 15 April 2015 (in respect of the April Closing). Applicants wishing to pay their subscription moneys in this way must contact Computershare Investor Services PLC by email at [NewCityOFS@computershare.co.uk](mailto:NewCityOFS@computershare.co.uk) for full bank details or telephone the investor helpline (details of which are on the Application Form) for further information. The Receiving Agent will then provide the applicant with a unique reference number which must be used when sending payment.

#### 4.3 **CREST Settlement**

Applicants may choose to settle via CREST (i.e. DVP). The Application Form contains details of the information which the Receiving Agent will require from you in order to settle your application within CREST, if you so choose. If you do not provide any CREST details or if you provide insufficient CREST details for the Receiving Agent to match to your CREST account, the Receiving Agent will deliver your Ordinary Shares in certificated form provided payment has been made in terms satisfactory to the Company.

The right is reserved to issue your Ordinary Shares in certificated form should the Company, having consulted with the Receiving Agent, consider this to be necessary or desirable. This right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST or any part of CREST or on the part of the facilities and/or system operated by the Receiving Agent in connection with CREST.

The person named for registration purposes in your Application Form (which term shall include the holder of the relevant CREST account) must be:

- (i) yourself; or
- (ii) a nominee of any such person or yourself, as the case may be.

Neither the Receiving Agent nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement. The Receiving Agent, on behalf of the Company, will input a DVP instruction into the CREST system according to the booking instructions provided by you in your Application Form. The input returned by you or your settlement agent/custodian of a matching or acceptance instruction to our CREST input will then allow the delivery of your Ordinary Shares to your CREST account against payment of the Issue Price through the CREST system upon the relevant settlement date referred to below.

By returning the Application Form you agree that you will do all things necessary to ensure that you or your settlement agent/custodian's CREST account allows for the delivery and acceptance of Ordinary Shares to be made prior to 8.00 a.m. on Thursday, 2 April 2015 (in respect of the March Closing) or Wednesday, 22 April 2015 (in respect of the April Closing) against payment of the Issue Price. Failure by you to do so will result in you being charged interest at a rate equal to the then published bank base rate of a clearing bank selected by the Company plus 2.0 per cent. per annum.

To ensure that you fulfil the requirements for CREST settlement it is essential that you or your settlement agent/custodian follow the CREST matching criteria set out below:

	<i>March Closing</i>	<i>April Closing</i>
Trade date	31 March 2015	20 April 2015
Settlement date	2 April 2015	22 April 2015
Company	New City High Yield Fund Limited	New City High Yield Fund Limited
SEDOL	B1LZS51	B1LZS51
ISIN	JE00B1LZS514	JE00B1LZS514

Should you wish to settle DVP, you will need to match your instructions to the Receiving Agent's participant account 8RA20 by no later than 1.00 p.m. on Tuesday, 31 March 2015

(in respect of the March Closing) or Monday, 20 April 2015 (in respect of the April Closing).

You must also ensure that you or your settlement agent/custodian has a sufficient "debit cap" within the CREST system to facilitate settlement in addition to your/its own daily trading and settlement requirements.

In the event of late CREST settlement, the Company, after having consulted with the Receiving Agent, reserves the right to deliver Shares outside CREST in certificated form provided payment has been made in terms satisfactory to the Company and all other conditions in relation to the Offer for Subscription have been satisfied.

## **5. Shares in Uncertificated Form (i.e. in CREST)**

If you wish to settle DVP to receive your new Ordinary Shares into your CREST account you should insert the relevant details in section 5 of the Application Form. If you do not complete section 5, you will receive your new Ordinary Shares in certificated form provided payment has been made in terms satisfactory to the Company.

## **6. Joint Applicants**

If you wish to make a joint application, you may do so with up to three other persons. Sections 2 and 3 of the Application Form must be completed by one applicant. All other persons who wish to join in the application must complete and sign section 6 of the Application Form. Certificates, cheques and other correspondence will be sent to the address in section 2 of the Application Form.

Another person may sign on behalf of any joint applicant if that other person is duly authorised to do so under a power of attorney. The original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) must be enclosed for inspection.

If you make a joint application, you will not be able to transfer your Ordinary Shares into an ISA. If you are interested in transferring your Ordinary Shares into an ISA, you should apply in your name only.

## **7. Contact Telephone Number**

Insert in section 7 of the Application Form a daytime contact telephone number, including STD, (and, if different from the person named in section 2 of the Application Form, the name of the person to contact) in case of any queries regarding your application.

## **8. Verification of Identity**

**Section 8 of the Application Form only applies if the aggregate value of the new Ordinary Shares which you are applying for, whether in one or more applications, exceeds €15,000 (or its sterling equivalent, being at 3 March 2015 approximately £11,000). If section 8 applies to your application, you must ensure that section 8.1, 8.2 or 8.3 (as appropriate) is completed.**

### **8.1 Professional Adviser or Intermediary**

You should complete section 8.1 of the Application Form if you are a stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, if outside the United Kingdom, another appropriately authorised financial adviser acting on behalf of a client.

### **8.2 Reliable Introducer**

If you are not a professional adviser or intermediary and the value of your application(s) exceed(s) €15,000, you will be required to provide the verification of identity documents listed in section 8.3 of the Application Form **unless** you can have the declaration set out in section 8.2 of the Application Form given and signed by a firm acceptable to the

Receiving Agent and the Company. Section 8.2 of the Application Form details those firms acceptable to the Receiving Agent and the Company for signing the declaration. In order to ensure their Application Forms are processed timely and efficiently, all applicants who are not professional advisers or intermediaries and to whose applications section 8 of the Application Form applies are strongly advised to have the declaration set out in section 8.2 of the Application Form completed and signed by a suitable firm where possible.

### **8.3 Applicant Identity Information**

**Section 8.3 of the Application Form need only be completed where the aggregate value of the new Ordinary Shares which you are applying for, whether in one or more applications, exceeds €15,000 and neither sections 8.1 nor 8.2 of the Application Form can be completed.**

Notwithstanding that the declaration set out in section 8.2 of the Application Form has been completed and signed, the Receiving Agent and the Company reserve the right to request of you the identity documents listed in section 8.3 of the Application Form and/or to seek verification of identity of each holder and payor (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If evidence of identity satisfactory to the Receiving Agent and the Company has not been obtained within a reasonable time, your application might be rejected or revoked.

Where certified copies of documents are requested in section 8.3 of the Application Form, such copy documents should be certified by a senior signatory of a firm which is either a governmental approved bank, stockbroker, investment firm or other financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation and the name of the organisation should be clearly identified on each document certified.

## **9. Instructions for Delivery of Completed Application Forms**

**Completed Application Forms should be returned, by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH, or (during normal business hours only) by hand to Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received as soon as possible and, in any event:**

- (i) in respect of the March Closing (i.e. applications using the Application Form set out in Part 11 of this Prospectus), by 11.00 a.m. on Thursday, 26 March 2015; and**
- (ii) in respect of the April Closing (i.e. applications using the Application Form set out in Part 12 of this Prospectus), by 11.00 a.m. on Wednesday, 15 April 2015.**

If you post your Application Form(s), you are recommended to use first class post and to allow at least two Business Days for delivery. Application Forms received after 11.00 a.m. on the relevant closing date may be rejected and returned to the first-named applicant.

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## PART 11

### APPLICATION FORM FOR MARCH CLOSING OF OFFER

**IMPORTANT:** Before completing this form, you should read the notes set out in Part 10 of the Prospectus. All applicants must complete sections 1 to 4 of this Application Form. Joint applicants should also complete section 6 of this Application Form. If your application is for more than €15,000 (or its equivalent, being approximately £11,000), section 8.1, 8.2 or 8.3 (as appropriate) must also be completed.

Please return this Application Form, duly completed, by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH, or (during normal business hours only) by hand to Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received no later than 11.00 a.m. on Thursday, 26 March 2015).

If you have a query concerning completion of this Application Form, please call the investor helpline on 0870 707 4040 (calls to this number are charged at 12p per minute from a BT landline, other network providers' costs may vary) or, if outside the UK, +44 (0) 870 707 4040 (calls to this number from outside the UK will be charged at applicable international rates) Different charges may apply to calls made from mobile telephones. Lines will be open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls may be recorded and monitored for security and training purposes. You should note that the Investor Helpline cannot give any investment, financial, tax or legal advice. If you require such advice, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, if you are outside the United Kingdom, another appropriately authorised financial adviser.

**To: New City High Yield Fund Limited<sup>24</sup>**

#### 1. Application

I/We, the person(s) detailed in section 2 and, in the case of joint applicants, section 6 below, offer to subscribe the amount specified in the box below of new Ordinary Shares, fully paid at the Initial Issue Price, subject to the terms and conditions of application set out in Part 9 of the Prospectus and the memorandum and articles of association of the Company.

£	<i>(Write, in figures, the aggregate value, at the Initial Issue Price, of the new Ordinary Shares that you wish to apply for - a minimum of £1,000 and thereafter in multiples of £1,000)</i>
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#### 2. Personal Details (Complete in BLOCK CAPITALS)

<i>(Mr, Mrs, Miss, Ms or title)</i>	<i>(Surname)</i>
<i>(Forename(s), in full)</i>	
<i>(Address, in full)</i>	
<i>(Post code)</i>	

#### 3. Signature

<i>(Signature)</i>	<i>(Date)</i> 2015
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<sup>24</sup> A special resolution to change the Company's name to CQS New City High Yield Fund Limited will be proposed at a general meeting of the Company which has been convened for 12.30 p.m. on Monday, 30 March 2015.



**4. How to Pay**

**4.1 Cheque of Banker's Draft**



(Pin your cheque or banker's draft here. Your cheque or banker's draft must be for the amount in sterling equal to the amount shown in the box in section 1 above, made payable to "CIS PLC RE: New City High Yield Fund Limited" and crossed "A/C Payee". Your payment must relate solely to this application.)

**4.2 Electronic Bank Transfer**

(For applicants sending subscription monies by electronic bank transfer (CHAPS), payment must be made for value by 11.00 a.m. on Thursday, 26 March 2015. Please contact Computershare Investor Services PLC by email at NewCityOFS@computershare.co.uk for full bank details or telephone the investor helpline for further information. The Receiving Agent will then provide you with a unique reference number which must be used when sending payment. Please enter below the sort code of the bank and branch you will be instructing to make such payment for value by 11.00 a.m. on Thursday, 26 March 2015 together with the name and number of the account to be debited with such payment and the branch contact details.)

(Sort code)	(Account name)
(Account no.)	(Contact name at branch & telephone no.)

**4.3 CREST Settlement**

(If you so choose to settle your commitment within CREST, i.e. DVP, you or your settlement agent/custodian's CREST account must allow for the delivery and acceptance of Ordinary Shares to be made against payment of the Issue Price, following the CREST matching criteria set out below:

Trade date	31 March 2015
Settlement date	2 April 2015
Company	New City High Yield Fund Limited
SEDOL	B1LZS51
ISIN	JE00B1LZS514

Should you wish to settle DVP, you will need to match your instructions to the Receiving Agent's participant account 8RA20 by no later than 1.00 p.m. on Tuesday, 31 March 2015. You must also ensure that you or your settlement agent/custodian has a sufficient "debit cap" within the CREST system to facilitate settlement in addition to your/its own daily trading and settlement requirements.)

**5. CREST Details** (Only complete this section 5 if you wish to settle DVP in accordance with section 4.3 above)

CREST participant ID (no more than 5 characters)							
CREST member account ID (no more than 8 characters)							
(CREST participant's name)							



**6. Joint Applicants** (Where the application is being made jointly by more than one person, the proposed first-named holder should complete sections 2 and 3 above, and all other applicants (subject to a maximum of three) must complete in BLOCK CAPITALS and sign this section 6)

(Mr, Mrs, Miss, Ms or title)	(Mr, Mrs, Miss, Ms or title)	(Mr, Mrs, Miss, Ms or title)
(Surname)	(Surname)	(Surname)
(Forename(s), in full)	(Forename(s), in full)	(Forename(s), in full)
(Address)	(Address)	(Address)
(Post code)	(Post code)	(Post code)
(Signature)	(Signature)	(Signature)

**7. Contact Telephone Number**

(Telephone number)	(Insert a daytime contact telephone number (and, if different from the person named in section 2 above, the name of the person to contact) in case of any queries regarding your application)
(Contact name)	

**8. Verification of Identity** (If the value of the new Ordinary Shares which you are applying for, whether in one or more applications, exceeds €15,000 (or its equivalent, being approximately £11,000), you must ensure that section 8.1, 8.2 or 8.3 (as appropriate) is completed)

**8.1 Professional Advisers and Intermediaries** (This section 8.1 should be completed if an application for new Ordinary Shares is being made on behalf of a client by a stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, if outside the UK, another appropriately authorised financial adviser)

(Name of professional adviser or intermediary, in full)	
(Address, in full)	
	(Post code)
(Contact name)	(Telephone number)

Declaration by the professional adviser or intermediary

To: New City High Yield Fund Limited<sup>25</sup>, Cantor Fitzgerald Europe and Computershare Investor Services PLC

We are a financial adviser or intermediary applying for new Ordinary Shares on behalf of one or more clients ("**relevant clients**"). As such, we hereby undertake to:

- (i) complete anti-money laundering verification of all relevant clients and to inform you of any unsatisfactory conclusion in respect of any such client;
- (ii) to keep records to verify the name, identity, place of birth, residential address, occupation and signature of each relevant client; and
- (iii) to supply copies of any such records to you as you may require.

We are governed in the conduct of our investment business and in respect of conducting anti-money laundering verification by the following regulatory or professional body (and our reference or other official number allocated to us by that body is included in the box below).

<sup>25</sup> A special resolution to change the Company's name to CQS New City High Yield Fund Limited will be proposed at a general meeting of the Company which has been convened for 12.30 p.m. on Monday, 30 March 2015.



(Full name and country of operation of regulatory or professional body)	
	(Reference or other official number)

If you require further information about our procedures or any of our relevant clients, please contact the person named as the contact in the first box in this section 8.1.

(Date)	2015	(Official stamp, if any)
(Signature)		
(Full name)		
(Title/position)		

8.2 **Reliable Introducer** (If you are not a professional adviser or intermediary to whom section 8.1 applies, completion and signing of declaration in this section 8.2 by a suitable person or institution may avoid presentation being requested of the identity documents detailed in section 8.3 of this form)

*(The declaration below may only be signed by a person or institution (such as a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm) (the "firm") which is itself subject in its own country to operation of "know your customer" and anti-money laundering regulations no less stringent than those which prevail in Jersey. Acceptable countries include Austria, Belgium, Denmark, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hong Kong, Iceland, Isle of Man, Italy, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland and the United Kingdom.)*

Declaration by the firm

To: New City High Yield Fund Limited<sup>26</sup>, Computershare Investor Services PLC and Cantor Fitzgerald Limited

With reference to the applicant(s) detailed in section(s) 2 and, in the case of joint applicants, 6 above, all persons signing sections 3 and 6 above and the payor identified in section 4 above if not also an applicant holder (collectively the "**relevant persons**"), we hereby declare that:

- (i) we operate in one of the above-mentioned countries and our firm is subject to money laundering regulations under the laws of that country which, to the best of our knowledge, are no less stringent than those which prevail in Jersey;
- (ii) we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
- (iii) each of the relevant persons is known to us in a business capacity and we hold valid identity documentation on each of them and we undertake to provide immediately to you copies thereof on demand;
- (iv) we confirm the accuracy of the names and residential/business address(es) of the applicant(s) named in section(s) 2 and, in the case of joint applicants, 6 above and, if details of a CREST account are included in section 5 above, that the owner thereof is the applicant named in section 2 above;
- (v) having regard to all local money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the moneys being used to subscribe for the new Ordinary Shares to which this application relates; and
- (vi) where the payor and applicant(s) are different persons we are satisfied as to the relationship between them and the reason for the payor being different to the applicant(s).

<sup>26</sup> A special resolution to change the Company's name to CQS New City High Yield Fund Limited will be proposed at a general meeting of the Company which has been convened for 12.30 p.m. on Monday, 30 March 2015.



The above information is given in strict confidence for your own use only and without any guarantee, responsibility or liability on the part of the firm or its officials.

(Date)	2015	(Official stamp, if any)
(Signature)		
(Full name)		
(Title/position)		

having authority to bind the firm, the details of which are set out below:

(Name of firm, in full)	
(Address, in full)	
	(Post code)
(Contact name)	(Telephone number)

(Full name of firm's regulatory authority)	
(Website address or telephone number of regulatory authority)	(Firm's registered, licence or other official number)

8.3 **Applicant Identity Information** (Only complete this section 8.3 if your application has a value greater than €15,000 (or its equivalent, being approximately £11,000) and neither of sections 8.1 and 8.2 can be completed)

In accordance with internationally recognised standards for the prevention of money laundering, the relevant documents and information listed below must be provided (please note that the Receiving Agent and the Company reserve the right to ask for additional documents and information).

	Tick here for documents provided				
	Applicant				Payor
	1	2	3	4	
<b>A. For each applicant who is an <u>individual</u> enclose:</b>					
(i) a certified clear photocopy of one of the following identification documents which bears both a photograph and the signature of the person: (a) current passport; (b) Government or Armed Forces identity card; or (c) driving licence; <b>and</b>					
(ii) certified copies of at least two of the following documents which purport to confirm that the address(es) given in section 2 and, in the case of joint applicants, section 6 is the applicant's residential address: (a) a recent gas, electricity, water or telephone (not mobile) bill; (b) a recent bank statement; (c) a council tax bill; or (d) similar bill issued by a recognised authority; <b>and</b>					
(iii) if none of the above documents show their date and place of birth, enclose a note of such information; <b>and</b>					
(iv) details of the name and address of their personal bankers from which the Receiving Agent or the Company may request a reference, if necessary.					



	Tick here for documents provided				
	Applicant				Payor
	1	2	3	4	
<b>B. For each holder being a <u>company</u> (a "holder company") enclose:</b>					
(i) a certified copy of the certificate of incorporation of the holder company; <b>and</b>					
(ii) the name and address of the holder company's principal bankers from which the Receiving Agent or the Company may request a reference, if necessary; <b>and</b>					
(iii) a statement as to the nature of the holder company's business, signed by a director; <b>and</b>					
(iv) a list of the names and residential addresses of each director of the holder company; <b>and</b>					
(v) for each director provide documents and information similar to that mentioned in A above; <b>and</b>					
(vi) a copy of the authorised signatory list for the holder company; <b>and</b>					
(vii) a list of the names and residential/registered addresses of each ultimate beneficial owner interested in more than 5.0 per cent. of the issued share capital of the holder company and, where a person is named, also enclose the documents and information referred to in C below and, if another company is named (a " <b>beneficiary company</b> "), also complete D below. If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company.					
<b>C. For each <u>individual named in B(vii)</u> as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in A(i) to (iv)</b>					
<b>D. For each <u>beneficiary company named in B(vii)</u> as a beneficial owner of a holder company enclose:</b>					
(i) a certificated copy of the certificate of incorporation of that beneficiary company; <b>and</b>					
(ii) a statement as to the nature of that beneficiary company's business signed by a director; <b>and</b>					
(iii) the name and address of the beneficiary company's principal bankers from which the Receiving Agent or the Company may request a reference, if necessary; <b>and</b>					
(iv) enclose a list of the names and residential/registered address of each beneficial owner owning more than 5 per cent. of the issued share capital of that beneficiary company.					
<b>E. If the <u>payor</u> is not an applicant and is not a bank providing its own cheque or banker's payment on the reverse of which is shown details of the account being debited with such payment (see note 4 on how to complete this form) enclose:</b>					
(i) if the payor is a person, for that person the documents mentioned in A(i) to (iv); <b>or</b>					
(ii) if the payor is a company, for that person the documents mentioned in B(i) to (vii); <b>and</b>					
(iii) an explanation of the relationship between the payor and the applicant(s).					



## PART 12

### APPLICATION FORM FOR APRIL CLOSING OF OFFER

**IMPORTANT:** Before completing this form, you should read the notes set out in Part 10 of the Prospectus. All applicants must complete sections 1 to 4 of this Application Form. Joint applicants should also complete section 6 of this Application Form. If your application is for more than €15,000 (or its equivalent, being approximately £11,000), section 8.1, 8.2 or 8.3 (as appropriate) must also be completed.

Please return this Application Form, duly completed, by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH, or (during normal business hours only) by hand to Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received no later than 11.00 a.m. on Wednesday, 15 April 2015).

If you have a query concerning completion of this Application Form, please call the investor helpline on 0870 707 4040 (calls to this number are charged at 12p per minute from a BT landline, other network providers' costs may vary) or, if outside the UK, +44 (0) 870 707 4040 (calls to this number from outside the UK will be charged at applicable international rates) Different charges may apply to calls made from mobile telephones. Lines will be open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls may be recorded and monitored for security and training purposes. You should note that the Investor Helpline cannot give any investment, financial, tax or legal advice. If you require such advice, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, if you are outside the United Kingdom, another appropriately authorised financial adviser.

**To: New City High Yield Fund Limited<sup>27</sup>**

#### 1. Application

I/We, the person(s) detailed in section 2 and, in the case of joint applicants, section 6 below, offer to subscribe the amount specified in the box below of new Ordinary Shares, fully paid at the Initial Issue Price, subject to the terms and conditions of application set out in Part 9 of the Prospectus and the memorandum and articles of association of the Company.

£	<i>(Write, in figures, the aggregate value, at the Initial Issue Price, of the new Ordinary Shares that you wish to apply for - a minimum of £1,000 and thereafter in multiples of £1,000)</i>
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#### 2. Personal Details (Complete in BLOCK CAPITALS)

<i>(Mr, Mrs, Miss, Ms or title)</i>	<i>(Surname)</i>
<i>(Forename(s), in full)</i>	
<i>(Address, in full)</i>	
<i>(Post code)</i>	

#### 3. Signature

<i>(Signature)</i>	<i>(Date)</i> 2015
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<sup>27</sup> A special resolution to change the Company's name to CQS New City High Yield Fund Limited will be proposed at a general meeting of the Company which has been convened for 12.30 p.m.] on Monday, 30 March 2015.



**4. How to Pay**

**4.1 Cheque of Banker's Draft**



(Pin your cheque or banker's draft here. Your cheque or banker's draft must be for the amount in sterling equal to the amount shown in the box in section 1 above, made payable to "CIS PLC RE: New City High Yield Fund Limited" and crossed "A/C Payee". Your payment must relate solely to this application.)

**4.2 Electronic Bank Transfer**

(For applicants sending subscription monies by electronic bank transfer (CHAPS), payment must be made for value by 11.00 a.m. on Wednesday, 15 April 2015. Please contact Computershare Investor Services PLC by email at NewCityOFS@computershare.co.uk for full bank details or telephone the Investor helpline for further information. The Receiving Agent will then provide you with a unique reference number which must be used when sending payment. Please enter below the sort code of the bank and branch you will be instructing to make such payment for value by 11.00 a.m. Wednesday, 15 April 2015 together with the name and number of the account to be debited with such payment and the branch contact details.)

(Sort code)	(Account name)
(Account no.)	(Contact name at branch & telephone no.)

**4.3 CREST Settlement**

(If you so choose to settle your commitment within CREST, i.e. DVP, you or your settlement agent/custodian's CREST account must allow for the delivery and acceptance of Ordinary Shares to be made against payment of the Issue Price, following the CREST matching criteria set out below:

Trade date	20 April 2015
Settlement date	22 April 2015
Company	New City High Yield Fund Limited
SEDOL	B1LZS51
ISIN	JE00B1LZS514

Should you wish to settle DVP, you will need to match your instructions to the Receiving Agent's participant account 8RA20 by no later than 1.00 p.m. on Monday, 20 April 2015. You must also ensure that you or your settlement agent/custodian has a sufficient "debit cap" within the CREST system to facilitate settlement in addition to your/its own daily trading and settlement requirements.)

**5. CREST Details** (Only complete this section 5 if you wish to settle DVP in accordance with section 4.3 above)

CREST participant ID (no more than 5 characters)							
CREST member account ID (no more than 8 characters)							
(CREST participant's name)							



**6. Joint Applicants** (Where the application is being made jointly by more than one person, the proposed first-named holder should complete sections 2 and 3 above, and all other applicants (subject to a maximum of three) must complete in BLOCK CAPITALS and sign this section 6)

(Mr, Mrs, Miss, Ms or title)	(Mr, Mrs, Miss, Ms or title)	(Mr, Mrs, Miss, Ms or title)
(Surname)	(Surname)	(Surname)
(Forename(s), in full)	(Forename(s), in full)	(Forename(s), in full)
(Address)	(Address)	(Address)
(Post code)	(Post code)	(Post code)
(Signature)	(Signature)	(Signature)

**7. Contact Telephone Number**

(Telephone number)	(Insert a daytime contact telephone number (and, if different from the person named in section 2 above, the name of the person to contact) in case of any queries regarding your application)
(Contact name)	

**8. Verification of Identity** (If the value of the new Ordinary Shares which you are applying for, whether in one or more applications, exceeds €15,000 (or its equivalent, being approximately £11,000), you must ensure that section 8.1, 8.2 or 8.3 (as appropriate) is completed)

**8.1 Professional Advisers and Intermediaries** (This section 8.1 should be completed if an application for new Ordinary Shares is being made on behalf of a client by a stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, if outside the UK, another appropriately authorised financial adviser)

(Name of professional adviser or intermediary, in full)	
(Address, in full)	
	(Post code)
(Contact name)	(Telephone number)

Declaration by the professional adviser or intermediary

To: New City High Yield Fund Limited<sup>28</sup>, Cantor Fitzgerald Europe and Computershare Investor Services PLC

We are a financial adviser or intermediary applying for new Ordinary Shares on behalf of one or more clients ("**relevant clients**"). As such, we hereby undertake to:

- (i) complete anti-money laundering verification of all relevant clients and to inform you of any unsatisfactory conclusion in respect of any such client;
- (ii) to keep records to verify the name, identity, place of birth, residential address, occupation and signature of each relevant client; and
- (iii) to supply copies of any such records to you as you may require.

We are governed in the conduct of our investment business and in respect of conducting anti-money laundering verification by the following regulatory or professional body (and our reference or other official number allocated to us by that body is included in the box below).

<sup>28</sup> A special resolution to change the Company's name to CQS New City High Yield Fund Limited will be proposed at a general meeting of the Company which has been convened for 12.30 p.m. on Monday, 30 March 2015.



(Full name and country of operation of regulatory or professional body)	
	(Reference or other official number)

If you require further information about our procedures or any of our relevant clients, please contact the person named as the contact in the first box in this section 8.1.

(Date)	2015	(Official stamp, if any)
(Signature)		
(Full name)		
(Title/position)		

8.2 **Reliable Introducer** (If you are not a professional adviser or intermediary to whom section 8.1 applies, completion and signing of declaration in this section 8.2 by a suitable person or institution may avoid presentation being requested of the identity documents detailed in section 8.3 of this form)

*(The declaration below may only be signed by a person or institution (such as a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm) (the "firm") which is itself subject in its own country to operation of "know your customer" and anti-money laundering regulations no less stringent than those which prevail in Jersey. Acceptable countries include Austria, Belgium, Denmark, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hong Kong, Iceland, Isle of Man, Italy, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland and the United Kingdom.)*

Declaration by the firm

To: New City High Yield Fund Limited<sup>29</sup>, Computershare Investor Services PLC and Cantor Fitzgerald Limited

With reference to the applicant(s) detailed in section(s) 2 and, in the case of joint applicants, 6 above, all persons signing sections 3 and 6 above and the payor identified in section 4 above if not also an applicant holder (collectively the "**relevant persons**"), we hereby declare that:

- (i) we operate in one of the above-mentioned countries and our firm is subject to money laundering regulations under the laws of that country which, to the best of our knowledge, are no less stringent than those which prevail in Jersey;
- (ii) we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
- (iii) each of the relevant persons is known to us in a business capacity and we hold valid identity documentation on each of them and we undertake to immediately provide to you copies thereof on demand;
- (iv) we confirm the accuracy of the names and residential/business address(es) of the applicant(s) named in section(s) 2 and, in the case of joint applicants, 6 above and, if details of a CREST account are included in section 5 above, that the owner thereof is the applicant named in section 2 above;
- (v) having regard to all local money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the moneys being used to subscribe for the new Ordinary Shares to which this application relates; and
- (vi) where the payor and applicant(s) are different persons we are satisfied as to the relationship between them and the reason for the payor being different to the applicant(s).

<sup>29</sup> A special resolution to change the Company's name to CQS New City High Yield Fund Limited will be proposed at a general meeting of the Company which has been convened for 12.30 p.m. on Monday, 30 March 2015.



The above information is given in strict confidence for your own use only and without any guarantee, responsibility or liability on the part of the firm or its officials.

(Date)	2015	(Official stamp, if any)
(Signature)		
(Full name)		
(Title/position)		

having authority to bind the firm, the details of which are set out below:

(Name of firm, in full)	
(Address, in full)	
	(Post code)
(Contact name)	(Telephone number)

(Full name of firm's regulatory authority)	
(Website address or telephone number of regulatory authority)	(Firm's registered, licence or other official number)

8.3 **Applicant Identity Information** (Only complete this section 8.3 if your application has a value greater than €15,000 (or its equivalent, being approximately £11,000) and neither of sections 8.1 and 8.2 can be completed)

In accordance with internationally recognised standards for the prevention of money laundering, the relevant documents and information listed below must be provided (please note that the Receiving Agent and the Company reserve the right to ask for additional documents and information).

	Tick here for documents provided				
	Applicant				Payor
	1	2	3	4	
<b>A. For each applicant who is an <u>individual</u> enclose:</b>					
(i) a certified clear photocopy of one of the following identification documents which bears both a photograph and the signature of the person: (a) current passport; (b) Government or Armed Forces identity card; or (c) driving licence; <b>and</b>					
(ii) certified copies of at least two of the following documents which purport to confirm that the address(es) given in section 2 and, in the case of joint applicants, section 6 is the applicant's residential address: (a) a recent gas, electricity, water or telephone (not mobile) bill; (b) a recent bank statement; (c) a council tax bill; or (d) similar bill issued by a recognised authority; <b>and</b>					
(iii) if none of the above documents show their date and place of birth, enclose a note of such information; <b>and</b>					
(iv) details of the name and address of their personal bankers from which the Receiving Agent or the Company may request a reference, if necessary.					



	Tick here for documents provided				
	Applicant				Payor
	1	2	3	4	
<b>B. For each holder being a <u>company</u> (a "holder company") enclose:</b>					
(i) a certified copy of the certificate of incorporation of the holder company; <b>and</b>					
(ii) the name and address of the holder company's principal bankers from which the Receiving Agent or the Company may request a reference, if necessary; <b>and</b>					
(iii) a statement as to the nature of the holder company's business, signed by a director; <b>and</b>					
(iv) a list of the names and residential addresses of each director of the holder company; <b>and</b>					
(v) for each director provide documents and information similar to that mentioned in A above; <b>and</b>					
(vi) a copy of the authorised signatory list for the holder company; <b>and</b>					
(vii) a list of the names and residential/registered addresses of each ultimate beneficial owner interested in more than 5.0 per cent. of the issued share capital of the holder company and, where a person is named, also enclose the documents and information referred to in C below and, if another company is named (a " <b>beneficiary company</b> "), also complete D below. If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company.					
<b>C. For each <u>individual named in B(vii)</u> as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in A(i) to (iv)</b>					
<b>D. For each <u>beneficiary company named in B(vii)</u> as a beneficial owner of a holder company enclose:</b>					
(i) a certificated copy of the certificate of incorporation of that beneficiary company; <b>and</b>					
(ii) a statement as to the nature of that beneficiary company's business signed by a director; <b>and</b>					
(iii) the name and address of the beneficiary company's principal bankers from which the Receiving Agent or the Company may request a reference, if necessary; <b>and</b>					
(iv) enclose a list of the names and residential/registered address of each beneficial owner owning more than 5 per cent. of the issued share capital of that beneficiary company.					
<b>E. If the <u>payor</u> is not an applicant and is not a bank providing its own cheque or banker's payment on the reverse of which is shown details of the account being debited with such payment (see note 4 on how to complete this form) enclose:</b>					
(i) if the payor is a person, for that person the documents mentioned in A(i) to (iv); <b>or</b>					
(ii) if the payor is a company, for that person the documents mentioned in B(i) to (vii); <b>and</b>					
(iii) an explanation of the relationship between the payor and the applicant(s).					

