

City Merchants High Yield Trust Limited

21 February 2012

Philip Austin
City Merchants High Yield Trust Limited (the "**Company**")
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW
Channel Islands

Dear Mr Austin

Letter of Appointment

Appointment

You were appointed to the board of directors of the Company (the "**Board**") on incorporation of the Company on 19 December 2011 and your election will need to be approved by shareholders at the Company's AGM in 2013. In accordance with the requirement for all directors to retire after three years in office, your appointment will terminate at the time of the AGM in 2016 but may then be renewed for a further three years if both you and the Board agree. Any director serving on the Board for longer than nine years will be subject to annual re-election, as will be any director considered not independent under the Listing Rules.

Your appointment is terminable by the Company, the Board or yourself on not less than three months prior written notice.

The Articles of Association adopted by the Company set out certain provisions relating to the termination of directors' appointments, including provisions under which you will be required from time to time to retire at the AGMs of the Company. Any director not re-elected at an AGM would obviously cease immediately to be a director of the Company.

Role

You have been appointed as a non-executive director. As a member of the Board you are responsible, with your fellow directors, for the direction of the Company and for the monitoring of the performance of the investment manager of the Company (the "**Manager**") and the other suppliers of services to the Company. Furthermore, you should satisfy yourself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. As your duties are of an entirely non-executive nature, you have no individual authority to bind the Company, or any subsidiary, without specific Board or Board committee approval.

In carrying out your duties as a non-executive director of the Company you will comply with all applicable laws and regulations of Jersey (including the guidance notes and policy statements applicable to the Company published by the Jersey Financial Services Commission from time to time) and of any other relevant jurisdiction, stock exchange or other regulatory authority ("**Applicable Law**"). By countersigning this letter you confirm that you are aware of and understand your duties as a non-executive director of the Company under the Applicable Law.

Registered Office
Ordnance House, 31 Pier Road,
St. Helier, Jersey, JE4 8PW

Registered in Jersey

You will serve on our audit committee, which will meet at least twice a year, usually in March and August/September. The Board as a whole undertakes the duties of the management engagement and nomination committees.

Time Commitment

Overall, we anticipate a time commitment of some 9 days per annum. This includes attendance at Board and committee meetings, the AGM and meetings with the Manager and/or shareholders, where necessary, as well as the time you are expected to devote to necessary preparation ahead of each meeting.

In accepting your appointment, you confirm that you are able to allocate sufficient time to meet the expectations of your role. My agreement or, in my absence, that of the senior non-executive director should be sought before accepting additional commitments that might impact on the time you are able to give to your role as a non-executive director of the company.

Fees

With effect from 1 January 2012, you will be entitled to an annual director's fee of £19,000 per annum, payable quarterly in arrear, which is reviewed periodically. The Company will, of course, reimburse you for any reasonable and properly documented expenses incurred in the performance of your duties.

Outside Interests

It is accepted and acknowledged that you have business interests other than those of the Company and have declared any interests and conflicts that are apparent at present. In the event that you become aware of any potential conflicts of interest, these should be disclosed in writing to both myself and the Company secretary as soon as apparent.

Confidentiality

All information acquired during your appointment is confidential to the Company and should not be released, either during your appointment or following termination (by whatever means), to third parties without prior clearance from me or, in my absence, another director of the Company.

Your attention is also drawn to the requirements under both legislation and regulation as to the disclosure of price sensitive information. Consequently, you should avoid making any statements that might risk a breach of these requirements without prior clearance from me or the Company secretary.

Share Purchases and Sales

You will comply with the UK Listing Authority's Listing Rules (including the Model Code on directors' dealings in securities) and the Disclosure and Transparency Rules.

Please note that under the continuing obligations for listed companies you are required to seek approval for any share purchases or sales for yourself or related parties from myself as chairman, or in my absence, another director, before the deal is struck. The Company secretary holds an authorisation form, which documents approval. You should notify the Company secretary within 4 business days of any share purchase or sale. The Company secretary is also under obligation to make an announcement to the market within 24 hours of a deal being notified to them and would therefore need to be informed of the details within that timescale.

It is important to note that during a close period, related parties cannot purchase or sell shares. Detailed guidance on your continuing obligations has been supplied to you and is also available from the Company secretary.

Review Process

The performance of individual directors and of the whole Board and its committees is evaluated annually. If, in the interim, there are any matters which cause you concern about your role you should discuss them with me as soon as possible.

Insurance

The Company has directors' and officers' liability insurance and intends to maintain such insurance covering for the full term of your appointment.

Insofar as permitted by the Companies (Jersey) Law 1991, as amended (the "**Law**"), the Articles of Association of the Company provide for the indemnification of every present or former director of the Company out of the assets of the Company (the "**Indemnity**"). Subject to the Law, under the terms of the Indemnity, a director may be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the discharge of his duties or the exercise of his powers or discretions as a director of the Company. This includes any costs incurred by the director in disputing, defending, investigating or providing evidence in connection with any actual or threatened or alleged claims, demands, investigations or proceedings, whether civil, criminal or regulatory, and any settlement in respect thereof. Directors will continue to be indemnified under the terms of the Indemnity notwithstanding that they have ceased to be directors of the Company.

However, directors will not be entitled to be indemnified for any liability to the Company, for fines payable to regulatory authorities, for defending any criminal proceedings in which they are convicted or in defending any civil proceedings brought by the Company. In the event that final judgement is given against a director in relation to any claim brought by the Company or in any criminal or regulatory proceedings, the director will repay to the Company in respect of such claim any amount received from the Company under his Indemnity. The Indemnity does not apply to the extent that a liability is recovered by the director from any insurers, if it is prohibited under the Law or otherwise prohibited by law, if it relates to tax payable on remuneration or other benefits received, or if a liability arises out of the director's bad faith, fraud or wilful default or relates to a matter where the director knowingly exceeded his authority.

Independent Professional Advice

Occasions may arise in which it will be necessary for you to seek professional advice from independent advisers about the performance of your duties, at the Company's expense and you have been provided with guidance on the procedure for seeking independent advice. This could, of course, be a little awkward and in that situation you might find it helpful to discuss the issue with one of your non-executive colleagues or with me, in advance, should you think it appropriate.