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This document comprises a prospectus relating to City Merchants High Yield Trust Limited (the “Company”) prepared in accordance with the Prospectus Rules of the UK Listing Authority made under section 73A of FSMA and has been approved by the Financial Services Authority (“FSA”) in accordance with section 85 of FSMA (the “Prospectus”). A copy of this Prospectus has been filed with the FSA in accordance with paragraph 3.2.1 of the Prospectus Rules.

This document is being sent to the shareholders of City Merchants High Yield Trust plc (“CMHYT”) for information purposes in connection with the recommended proposals for the voluntary winding up of CMHYT and the transfer of the assets of CMHYT to the Company in exchange for the issue, to shareholders in CMHYT, of shares in the Company (the “Proposals”).

A copy of this Prospectus has been delivered to the Registrar of Companies in Jersey in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, as amended, and he has given, and has not withdrawn, his consent to its circulation. The Jersey Financial Services Commission (“JFSC”) has given, and has not withdrawn, its consent under Article 2 of the Control of Borrowing (Jersey) Order 1958, as amended, to the issue of the Shares in the Company. The JFSC is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against any liability arising from the discharge of its functions under law. It must be distinctly understood that, in giving these consents, neither the Registrar of Companies in Jersey nor the JFSC 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. If you are in doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. It should be remembered that the price of securities and the income from them can go down as well as up.

The Company has been granted a certificate under the Collective Investment Funds (Jersey) Law 1988 (as amended) (the “Jersey Funds Law”). The JFSC is protected by the Jersey Funds Law against liability arising from the discharge of its functions under the Jersey Funds Law. The Administrator and the Company Secretary are registered for the conduct of trust company business and fund services business under Article 9 of the Financial Services (Jersey) Law 1998. The Registrar is registered to conduct fund services business under Article 9 of the Financial Services (Jersey) Law 1998.

City Merchants High Yield Trust Limited

(incorporated in Jersey with limited liability under the Companies (Jersey) Law 1991 with registration number 109714)

Proposed Issue of Ordinary Shares to shareholders of City Merchants High Yield Trust plc in connection with its reconstruction and voluntary winding up

Sponsor

Winterflood Securities Limited

The company has been established in Jersey as a listed fund under a fast-track authorisation process. 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 Jersey Financial Services Commission at www.jerseyfsc.org.

The Company and each of the Directors, whose names appear on page 16 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (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 does not omit anything likely to affect the import of such information. For the purposes of Jersey law, the Directors of the Company have taken all reasonable care to ensure that the facts stated in this Prospectus are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of fact or of opinion. All the Directors accept responsibility accordingly.

For a discussion of certain risk and other factors that should be considered in connection with an investment in the Shares, see the “Risk Factors” set out on pages 6 to 11 of this Prospectus.

Applications will be made to the UK Listing Authority and the London Stock Exchange for the Shares to be admitted to the Official List with a premium listing and to trading on the London Stock Exchange's Main Market for listed securities, respectively (together, "**Admission**"). It is expected that Admission will become effective and that unconditional dealings for normal settlement in the Shares will commence at 8.00 a.m. on 2 April 2012.

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, any Shares to any person in any jurisdiction to whom or in which jurisdiction such offer or solicitation is unlawful.

The distribution of this Prospectus and the offer, sale and/or issue of the Shares in certain jurisdictions may be restricted by law. Accordingly, neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons outside the United Kingdom into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The Issue and the distribution of this Prospectus are subject to the restrictions set out in paragraph 7 of Part IV of this Prospectus.

The Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "**US Securities Act**") or under the applicable securities laws of any state or other jurisdiction of the United States. Subject to certain exceptions, the Shares may not be offered, sold, resold, pledged, delivered or otherwise transferred, directly or indirectly, within the United States or to, or for the account or benefit of, any US person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Shares are being offered and sold outside the US to non-US persons in reliance on the exemption from registration provided by Regulation S under the US Securities Act. There will be no public offer of Shares in or into the United States. 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**").

The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the Proposals or the accuracy or adequacy of the information contained in this Prospectus. Any representation to the contrary is a criminal offence in the United States.

Prospective investors should rely only on the information contained in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been so authorised by the Company or Winterflood Securities. Without prejudice to the Company's obligations under the Listing Rules, neither the delivery of this Prospectus nor any subscription or purchase of Shares pursuant to this Prospectus shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since, or that the information contained herein is correct at any time subsequent to, the date of this Prospectus.

The contents of this Prospectus are not to be construed as legal, financial, business, investment or tax advice. Prospective investors should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice. Prospective investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Shares. Prospective investors must rely on their own representatives, including their own legal advisers and accountants, as to legal, tax, investment, or any other related matters concerning the Company and an investment therein. Neither of the Company nor Winterflood Securities nor any of their respective representatives is making any representation to any offeree or purchaser of Shares regarding the legality of an investment in the Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Winterflood Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority acting through its division, Winterflood Investment Trusts ("**Winterflood Securities**") and is acting exclusively for the Company and for no-one else in connection with the Issue and Admission. Winterflood Securities will not regard any other person (whether or not a recipient of this Prospectus) as its respective client in connection with the Issue and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Winterflood Securities or for advising any other person on the contents of this Prospectus or the Issue and Admission.

Apart from the responsibilities and liabilities, if any, which may be imposed on Winterflood Securities by FSMA or the regulatory regime established thereunder, Winterflood Securities does not accept any responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Shares or the Issue. Winterflood Securities accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of such document or any such statement.

This Prospectus is dated 23 February 2012

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SUMMARY

This summary should be read as an introduction to this Prospectus. Any decision to invest in Shares should be based on a consideration of this Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, a plaintiff investor may, under the national legislation of a European Economic Area State, have to bear the costs of translating this Prospectus before legal proceedings are initiated. Civil liability attaches to the persons responsible for this summary, including any translation of this summary but only if the summary is misleading, inaccurate or inconsistent when read with other parts of this Prospectus.

1. The Company

The Company is a closed-ended public investment company limited by shares registered and incorporated in Jersey on 19 December 2011, with registration number 109714 and established as a Listed Fund. The Company is managed by Invesco Asset Management Limited (the “**Investment Manager**”).

The Company is being launched in connection with a scheme of reconstruction and voluntary winding up of City Merchants High Yield Trust plc (“**CMHYT**”) under section 110 of the Insolvency Act. Upon the Scheme becoming effective, CMHYT’s assets, after providing for its liabilities (including contingent liabilities and the costs incurred by CMHYT in relation to the Scheme) will be transferred *in specie* to the Company and the Company will issue to Qualifying CMHYT Shareholders one Share for every CMHYT Share held by them.

The Company’s share capital consists of a single class of ordinary shares of no par value. At any general meeting of the Company on a poll each Share carries one vote. The Shares also carry rights to receive all income and capital attributable to the Shares which may be distributed by the Company and rank equally for dividends.

Investment in the Company is only suitable for institutional, professional and high net worth investors, private client fund managers and brokers and other investors who understand the risks involved in investing in the Company and/or who have received advice from their fund manager or broker regarding investment in the Company.

2. Investment Objective and Policy

The Company’s investment objective is to seek to obtain both high income and capital growth from investments predominantly in high-yielding fixed-interest securities.

The Company will seek to provide a high level of dividend income relative to prevailing interest rates through investment in fixed-interest securities, various equity-like securities within fixed-income markets and equity-linked securities such as convertible bonds and in direct equities that have a high income yield. It will also seek to enhance total returns through capital appreciation generated by investments which have equity-related characteristics.

The Company will be actively managed and will seek to ensure that its Portfolio is diversified, having regard to the nature and type of securities (including duration, credit rating, performance and risk measures and liquidity) and the geographic and sector composition of the Portfolio. The Company may hold both illiquid securities (for example, securities where trading volumes are relatively low, and unlisted securities) and concentrated positions (for example, where a high proportion of the Company’s total assets is comprised of a relatively small number of investments).

The Company may enter into derivative transactions (including options, futures and contracts for difference, credit derivatives and interest rate swaps) for the purposes of efficient portfolio management. The Company will not enter into derivative transactions for speculative purposes. The Company may hedge against exposure to changes in currency rates to the full extent of any such exposure.

The Company may utilise gearing subject to a maximum of 30 per cent of the Company’s total assets at any time.

3. Directors

Each of the Directors acts in a non-executive capacity and each is independent of the Investment Manager. The Directors are:

Clive Nicholson (*Chairman*)
Philip Austin
John Boothman
Winifred Robbins
Philip Taylor

4. Investment Manager

The Company is managed by the Investment Manager which is the principal UK asset management subsidiary of Invesco Ltd, one of the world's leading independent global investment management organisations. As at 31 December 2011, Invesco Ltd had approximately \$625.3 billion of assets under management. Primary responsibility for the management of the Company's Portfolio lies with Paul Read and Paul Causer, co-heads of Invesco's fixed-interest team based in Henley-on-Thames who, together, have more than 50 years' experience in managing portfolios of fixed-interest securities.

The Investment Manager is responsible for the day-to-day management of the assets held in the Portfolio (including uninvested cash) and will have broad discretion to invest the Company's assets to achieve the Company's investment objective. The Investment Manager is not required to and generally will not submit individual investment decisions for approval by the Board.

The Investment Manager will also provide certain administrative services to the Company (including the calculation and publication of the estimated daily NAV and preparation of the Company's accounts).

5. Management Fee

The Investment Manager will be entitled to a management fee payable quarterly in arrear equal to 0.1875 per cent of the value of the Company's total assets under management less current liabilities, the same terms as for CMHYT.

6. Effects of the Proposals

A significant proportion of the income received by CMHYT from its investment portfolio, being derived mainly from fixed-interest securities, is liable to UK corporation tax. In recent years CMHYT's ability to pay dividends has been enhanced because it has been able to reduce its liability to UK corporation tax through offsetting against taxable income the surplus management expenses which arose through its merger with Exeter Selective Assets Investment Trust plc in November 2005. The benefit of these surplus management expenses, which are nearly exhausted, is reflected as a deferred tax asset in the balance sheet of CMHYT. When the expenses are fully exhausted CMHYT will be liable to UK corporation tax on the full amount of its investment income thereby reducing its ability to pay dividends at their present level.

The Directors of CMHYT, together with CMHYT's advisers, have examined methods to enable CMHYT to continue to deliver tax-efficient investment returns to CMHYT Shareholders from high-yielding fixed-interest securities and have devised the Proposals set out in the circular which accompanies this Prospectus.

The Proposals are intended to put CMHYT Shareholders in a position equivalent to previous years when CMHYT had sufficient surplus management expenses to offset fully its liability to UK corporation tax. The Proposals are expected to provide the following benefits for the Company:

- the Company will not be subject to UK corporation tax, which should significantly increase its net distributable income as compared with CMHYT and thereby enhance total returns;
- any uncertainty over CMHYT's tax situation that may have affected trade in CMHYT Shares will be removed; and
- the Company may enjoy increased flexibility as compared with CMHYT because it will not seek to be approved as an investment trust in the UK.

Following the implementation of the Proposals, the annual running costs of the Company will not be materially different from those currently paid by CMHYT.

7. Discount Control Provisions

Continuation Resolution

The Company does not have a fixed life but, in accordance with the Articles, unless an Ordinary Resolution is passed at or before the annual general meeting held in each year releasing the Directors from such obligation (a “**continuation resolution**”), the Directors must convene a general meeting to be held within six months of the annual general meeting, at which a Special Resolution is proposed to wind up the Company and at which the Directors are required to put proposals for the reconstruction or reorganisation of the Company to the Shareholders for their approval. The first such continuation resolution will be put to Shareholders at the Company’s annual general meeting in 2013.

Share Purchases and Buy Backs

Pursuant to a Special Resolution of the subscribers to the Company’s memorandum of incorporation dated 21 February 2012, the Directors have been granted general authority to purchase in the market up to 14.99 per cent of the Shares in issue immediately following Admission at a price not exceeding the prevailing Net Asset Value per Share as at the time of purchase. The Directors intend to seek renewal of this authority from the Shareholders at the Company’s annual general meetings.

Pursuant to this authority, and subject to Article 57 of the Law and the discretion of the Directors, the Company may purchase Shares in the market on an ongoing basis with a view to addressing any imbalance between the supply of and demand for Shares, thereby increasing the Net Asset Value per Share and assisting in controlling any discount to Net Asset Value per Share in relation to the price at which the Shares may be trading.

Shares purchased by the Company may be cancelled or held in treasury. The Company may borrow and/or realise investments in order to finance such Share purchases.

8. Further Issues of Shares

The Directors will have authority to allot further Shares in the share capital of the Company following Admission. Further issues of Shares will only be made if the Directors determine such issues to be in the best interests of Shareholders and the Company as a whole and such Shares will only be issued at prices which are not less than the then prevailing Net Asset Value per Share (as estimated by the Directors).

There are no provisions of Jersey law which confer rights of pre-emption in respect of the allotment of Shares, or require shareholder approval for issues of shares. The Articles, however, contain pre-emption rights in relation to allotments of Shares for cash. Pursuant to a Special Resolution of the subscribers to the Company’s memorandum of incorporation dated 22 February 2012, it was resolved to disapply such pre-emption rights in relation to a number of Shares equal to 10 per cent of the Shares in issue immediately following Admission for a period concluding immediately prior to the annual general meeting of the Company to be held in 2013. The Directors intend to request that the authority to allot Shares for cash on a non-pre-emptive basis is renewed at the annual general meeting of the Company in 2013 and at each subsequent annual general meeting.

9. Dividend Policy

It is the intention of the Company to provide a high level of dividend income relative to prevailing interest rates and to make distributions in the form of quarterly dividends payable in February, May, August and November of each year with the first dividend to be paid in August 2012. For the period from Admission to 31 December 2012, on the basis of current market conditions as at the date of this Prospectus, the Board will target a dividend of 7.6 pence per Share which, together with the Special Dividend of 2.4 pence per share to be paid by CMHYT, would represent total dividends of 10 pence per share in respect of the 12 months to 31 December 2012.

10. Borrowing Facilities

CMHYT currently has a revolving credit facility with The Bank of New York Mellon. This facility allows CMHYT to drawdown amounts in Sterling, Euros or US Dollars to a maximum Sterling equivalent of £20 million. The interest payable is based on the interbank offered rate for the currency drawn down. As at 21 February 2012, CMHYT had no draw downs. It is intended that the Company will enter into a similar facility once the Scheme becomes effective and the assets of CMHYT are transferred to the Company.

11. Principal Risk Factors

Prior to investing in the Shares, prospective investors should consider the following risks, which could have a material adverse effect on the Company's business, results of operations, financial condition or prospects, or could impact the Net Asset Value per Share, the trading price or liquidity of the Shares, or the Company's ability to achieve its investment objective:

Risks relating to the Company

- The Company is a newly formed company incorporated under the laws of Jersey with no operating history and no revenues.
- The ability of the Company to pay dividends quarterly is dependent on the level and timing of receipt of income on its investments.
- Investment in the Company should be regarded as long term in nature.
- Global capital markets have been experiencing volatility, disruption and instability. Material changes affecting global capital markets may have a negative effect on the Company's business, financial condition and results of operations.

Risks relating to the Shares

- The Shares may trade at a discount to NAV and Shareholders may be unable to realise their investments through the secondary market at NAV.
- The existence of a liquid market in the Shares cannot be guaranteed.

Risks relating to the Scheme

- The Issue is conditional on the Scheme becoming unconditional. If the Scheme does not become unconditional CMHYT Shareholders will not have the opportunity to roll over their investment in CMHYT into the Shares.

Risks relating to the investment strategy and investment portfolio

- The success of the Company depends on the Investment Manager's ability to achieve the Company's investment objective.
- The Company may, from time to time, employ borrowings with the aim of enhancing returns to Shareholders. While the use of borrowings should enhance the total return on the Shares when the value of the Company's assets is rising, it will have the opposite effect when the value is falling.
- The value of the Portfolio may be adversely affected by market movements.
- Investment in non-investment grade securities involves a greater volatility of price and a greater risk of default by the issuers of such securities, with consequent loss of interest and principal, than investment in investment grade securities.
- The Company may hold illiquid securities which may be less readily realisable in the shorter-term than more liquid securities.
- The Company may enter into derivative transactions from time to time. Derivative instruments can be highly volatile and expose investors to a high risk of loss.
- Movements in exchange rates may adversely affect the Sterling value of the Portfolio.

Risks relating to the Investment Manager and other third party service providers

- The Company is reliant on other parties for the performance of its functions and the quality of its operations.
- The Company is dependent on the expertise of the Investment Manager and its key personnel properly to evaluate attractive investment opportunities and to implement its investment strategy.
- The Investment Manager will source all of the Company's investments and affiliates of the Investment Manager may participate in some of those investments, which may result in conflicts of interest.

Risks relating to regulation and taxation

- Greater regulation of the financial services industry, which imposes additional restrictions on the Company may materially affect the Company's business and its ability to achieve its investment objective.

- Changes in the Company's tax status or tax treatment may adversely affect the Company and if the Company becomes subject to the UK offshore fund rules there may be adverse tax consequences for certain UK resident Shareholders.
- Failure by the Company to maintain its non-UK tax resident status may subject the Company to additional taxes which may materially adversely affect the Company's business, results of operations and the value of the Shares.
- Recently enacted US tax legislation may in the future impose a withholding tax on certain payments received by the Company and on payments in respect of the Shares to certain Shareholders and may also compel the Company to force the sale of such Shareholder's Shares.
- The AIFM Directive may impair the ability of the Investment Manager to manage the investments of the Company, which may materially adversely affect the Company's ability to implement its investment strategy and achieve its investment objective.
- The implementation of the Solvency II Directive in the European Union could result in the introduction or restrictions on insurance and reinsurance companies investing in the Company which could have an adverse effect on the trading price and/or liquidity of the Shares.

RISK FACTORS

The Directors consider the following risks to be the most significant for potential investors in the Company but the risks listed do not necessarily comprise all those associated with the Company or an investment in the Company. There may be additional risks that the Directors do not currently consider to be material or of which the Directors are not aware that could materially impact the Company in the future.

If any of the risks described below were to occur, it could have a material adverse effect on the Company's business, results of operation or financial condition. If this were to lead to a decline in the trading price of the Shares, prospective investors may lose all or part of their investment.

Prospective investors should be aware that the value of the Shares and the income derived from them may decrease and that they may not realise their initial investment. In addition, there is no guarantee that the market price of the Shares will reflect accurately the underlying value of the Company's net assets.

Prospective investors should carefully consider the following risk factors in addition to the other information contained in this Prospectus as well as their own personal circumstances and consult their financial adviser before making a decision to invest in the Shares.

Risks relating to the Company

The Company is a newly formed company incorporated under the laws of Jersey with no operating history and no revenues

The Company is a newly formed company with no operating results, and it will not commence operations until the assets of CMHYT are transferred to it pursuant to the Transfer Agreement. Because the Company lacks an operating history, investors will need to rely on the operating history of CMHYT to evaluate the Company's ability to achieve its investment objective and provide a satisfactory investment return.

The Company's returns and operating cash flows will depend on many factors, including the price and performance of its investments, the availability and liquidity of investment opportunities falling within the Company's investment objective and policy, the level and volatility of interest rates, readily accessible short-term borrowings, conditions in the financial markets and economy, the financial performance of borrowers, and the Company's ability to successfully operate its business and execute its investment strategy. There can be no assurance that the Company's investment strategy will be successful.

The ability of the Company to pay dividends quarterly is dependent on the level and timing of receipt of income on its investments

While it is the Directors' intention that the Company should pay dividends quarterly, its ability to pay any dividends will depend primarily on the level of income received from investments and the timing of receipt of such income. Accordingly, the value of dividends to be paid to Shareholders may fluctuate. Any change in the tax or accounting treatment of dividends or other investment income received by the Company may also reduce the level of yield received by Shareholders.

Investment in the Company should be regarded as long term in nature

The Company's investments will comprise an actively managed portfolio of investments, consisting mainly of fixed-income securities. There can be no assurance that the Company's investments will generate gains or income or that any gains or income that may be generated will be sufficient to offset any losses that may be sustained. A wide range of factors could substantially adversely affect the value of the securities in which the Company invests. These include systemic risk in the financial system; changes in law and taxation; a downturn in general economic conditions; changes in interest rates, governmental regulations or other policies; and natural disasters, terrorism, social unrest and civil disturbances. The Directors therefore consider that an investment in the Company should be regarded as long term in nature.

Global capital markets have been experiencing volatility, disruption and instability. Material changes affecting global capital markets may have a negative effect on the Company's business, financial condition and results of operations

Global capital markets have been experiencing extreme volatility and disruption for more than three years as evidenced by a lack of liquidity in the equity and debt capital markets, significant write-offs

in the financial services sector, the repricing of credit risk in credit markets and the failure of major financial institutions. Despite actions of government authorities, these events have contributed to worsening general economic conditions that have materially and adversely affected the broader financial and credit markets and reduced the availability of debt and equity capital.

Continued or recurring market deterioration may have a material adverse effect on the ability of a borrower to which the Company's Portfolio is exposed to service its debts or refinance its outstanding debt. Further, such financial market disruptions may have a negative effect on the valuations of the Company's investments, and on the liquidity of its investments. In the future, non-performing assets in the Portfolio may cause the value of the Portfolio to decrease when the Company is required to write down the values of these assets. Depending on market conditions, the Company may incur substantial realised losses and may suffer additional unrealised losses in future periods, which may adversely affect its business, financial condition and results of operations.

Risks relating to the Shares

The Shares may trade at a discount to NAV and Shareholders may be unable to realise their investments through the secondary market at NAV

The market value of the shares will be affected by a number of factors, including their dividend yield from time to time, prevailing interest rates and supply and demand for the shares, together with wider economic factors and changes in law including tax law and political factors. The market value of, and the income derived from, the Shares may go up as well as down and the market value may not always reflect the NAV per Share. While the Directors may seek to manage any discount to NAV per Share, there can be no guarantee that they will do so or that such mechanisms will be successful. Equally there can be no guarantee that any appreciation in the value of the Company's investments will occur. Shareholders may, therefore, be unable to realise their investments through the secondary market at NAV and may not get back the full value of their investment.

The existence of a liquid market in the Shares cannot be guaranteed

The Company has been established as a closed-ended vehicle and will apply for the Shares to be admitted to trading on the Main Market. Shareholders will have no right to have their Shares redeemed or repurchased by the Company at any time. Accordingly, Shareholders' ability to realise their investment at NAV, or at all, is dependent on the existence of a liquid market for the Shares and, although the Shares will be traded on the Main Market, it is possible that such a liquid market may not exist. If this is the case, any Shareholder wishing to dispose of their Shares in the secondary market may only do so by selling them at whatever price a buyer may be prepared to pay for them.

Risks relating to the Scheme

The Issue is conditional on the Scheme becoming unconditional. If the Scheme does not become unconditional CMHYT Shareholders will not have the opportunity to roll over their investment in CMHYT into the Shares
If CMHYT Shareholders do not pass the special resolution to be proposed at a general meeting of CMHYT, or if otherwise the Scheme does not become unconditional, the Scheme will not proceed and CMHYT Shareholders will not have the opportunity provided by the Scheme to roll over their investment in CMHYT into the Shares.

Risks relating to the investment strategy and investment portfolio

The success of the Company depends on the Investment Manager's ability to achieve the Company's investment objective

The success of the Company will depend on the Investment Manager's ability to advise on and manage the Portfolio in accordance with the Company's investment objective and policy. Although the Board has confidence in the Investment Manager's ability to do this, there can be no guarantee that the Company's investment objective will be achieved or will provide the returns sought by the Company. Whilst the Investment Manager strives to maximise both capital growth and high income from the investments, the performance of the Portfolio is substantially dependent on the performance of fixed-interest and high-yielding stocks in the UK and elsewhere in the Company's investment universe.

The Company may employ borrowings to fund investments

The Company may, from time to time, employ borrowings (such as a bank credit facility) to fund investments with the aim of enhancing returns to Shareholders, although there is no guarantee that any credit facility would be renewable at maturity on terms acceptable to the Company.

While the use of borrowings should enhance the total return on the Shares when the value of the Company's assets is rising and exceeds the cost of borrowing, it will have the opposite effect when the value is falling and when the underlying return is less than the cost of borrowings thus reducing the total return on the Shares. The use of borrowings by the Company may increase the volatility of the returns to Shareholders and the NAV per Share. Should any fall in the underlying asset value result in the Company breaching any financial covenant contained in any loan facilities entered into by the Company, the Company may be required to repay such borrowings in whole or in part together with any associated costs. This could adversely affect income and capital returns to Shareholders. Repayment on any borrowings will rank ahead of capital payments to Shareholders in a winding-up.

The value of the Portfolio may be adversely affected by market movements

The majority of the Company's Portfolio will be traded on a number of the world's major securities markets. A significant fall in the markets and/ or a prolonged period of decline in the markets would have a negative effect on the value of the Portfolio and consequently the NAV per Share.

Non-investment grade fixed-interest securities are subject to credit, liquidity, duration and interest rate risks

The majority of the Company's Portfolio will consist of non-investment grade fixed-interest securities which are subject to credit, liquidity, duration and interest rate risks. Adverse changes in the financial position of an issuer or in general economic conditions may impair the ability of the issuer to make payments of principal and interest or may cause the liquidation or insolvency of an issuer.

To the extent that the Company invests in non-investment grade securities, the Company may realise a higher current yield than the yield offered by investment-grade securities. On the other hand, investments in such securities involve a greater volatility of price and a greater risk of default by the issuers of such securities, with consequent loss of interest and principal, than investment in investment grade securities. Non-investment grade securities are likely to have greater uncertainties from exposure to adverse conditions and will be speculative with respect to an issuer's capacity to meet interest payments and repay principal in accordance with its obligations. A lack of liquidity in non-investment grade securities may make it difficult for the Company to sell those securities at or near their purported value.

The Company may hold illiquid securities which may be less readily realisable in the shorter-term than more liquid securities

Under the Investment Policy, the Company may hold both illiquid securities (for example securities where trading volumes are relatively low and unlisted securities) and concentrated positions (for example, where a high proportion of the Company's total assets is comprised of a relatively small number of investments). Such investments, by their nature, may be less readily realisable in the shorter-term than more liquid securities. The fact that a security is traded does not guarantee its liquidity and the Company's investments may be less liquid than other listed and publicly-traded securities. The spread between the buying and selling price of securities may be wide and thus the price used for valuation may not be achievable. Although the Investment Manager has been successful in identifying suitable investments in the past, it may not be able to do so in the future and the Company may not be able to find a sufficient number of attractive opportunities to meet its investment objective or to generate returns for Shareholders.

Derivative instruments can be highly volatile and expose investors to a high risk of loss

Although the Company will not enter into derivative transactions for speculative purposes, it may do so from time to time for efficient portfolio management purposes. Derivative instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits or low initial amounts payable in relation to some derivatives enable a higher degree of leverage than might otherwise be required in respect of a direct investment in the underlying asset. As a result, relatively small fluctuations in the value of the underlying asset or the subject of the derivative may result in a substantial fluctuation in the value of the derivative, either up or down. In addition, the amount of loss to the Company through holding a derivative may not be restricted to, and indeed may be many times greater than, the initial margin deposit or amount payable in respect of the derivative. Daily

limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Where derivatives are used for hedging, there is a risk that the returns on the derivative do not exactly correlate with the returns on the underlying investment, obligation or market sector being hedged. If there is an imperfect correlation, the Company may be exposed to greater loss than if the derivative had not been entered into. Trading in derivatives markets may be unregulated or subject to less regulation than other markets. Derivatives markets are relatively new and there are uncertainties as to how these markets will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. The Company could suffer substantial losses from derivatives holdings in these or other situations.

Movements in exchange rates may adversely affect the value of the Portfolio

Whilst the Company will account for its activities and report its results in Sterling, certain of the Company's assets and liabilities may be denominated in currencies other than Sterling. As a result, movements in exchange rates may have a material effect, unfavourable as well as favourable, on the Sterling value of the Portfolio, cash, investment purchases and sales and income.

Risks relating to the Investment Manager and other third party service providers

The Company is reliant on other parties for the performance of its functions and the quality of its operations

The Company outsources its management, company secretarial and administrative functions. It has no employees and the Directors are all non-executive. The Company is therefore reliant on other parties for the performance of its functions and the quality of its operations. Through the contractual arrangements in place the full range of services required is available to the Company. The most significant contract is with the Investment Manager, to whom responsibility both for the management of the Portfolio and for the provision of certain administrative services are delegated. The Company also has contractual arrangements in place with third parties for the provision of custodian, administrative and registrar services (either directly or through the Investment Manager as agent of the Company).

Failure by any service provider to carry out its obligations in accordance with the terms of its appointment could have a materially detrimental impact on the effective operation of the Company and on the ability of the Company to pursue its Investment Policy successfully. Such failure could also expose the Company to reputational risk. In particular, the Investment Manager may be exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether valid or not, will harm its reputation. Any damage to the reputation of the Investment Manager could result in potential counterparties and third parties being unwilling to deal with the Investment Manager and by extension the Company. That could also have an adverse impact on the ability of the Company to pursue its Investment Policy successfully.

The Company is dependent on the expertise of the Investment Manager and its key personnel properly to evaluate attractive investment opportunities and to implement its investment strategy

In accordance with the Investment Management Agreement, the Investment Manager is responsible for the management of the Company's investments. All of the Company's investment and asset management decisions will be made by the Investment Manager and not by the Company and, accordingly, the Company will be reliant upon, and its success will depend exclusively on, the Investment Manager and its personnel, services and resources.

Consequently, the future ability of the Company successfully to pursue its Investment Policy may depend on the ability of the Investment Manager to retain its existing staff and/or to recruit individuals of similar experience and calibre. Whilst the Investment Manager has endeavoured to ensure that the principal members of its management teams are suitably incentivised, the retention of key members of the teams cannot be guaranteed. Furthermore, in the event of a departure of a key employee of the Investment Manager, there is no guarantee that the Investment Manager would be able to recruit a suitable replacement or that any delay in doing so would not adversely affect the performance of the Company.

The Investment Manager will source all of the Company's investments and affiliates of the Investment Manager may participate in some of those investments, which may result in conflicts of interest

The Company is subject to a number of actual or potential conflicts of interest involving the Investment Manager and its respective affiliates, which are summarised below.

The Investment Manager and/or companies with which they are associated may from time to time act as manager, sponsor, investment manager, trustee, custodian, sub-custodian, registrar, broker,

administrator, investment advisor or dealer in relation to, or be otherwise involved with, other clients, including other investment funds and client accounts, including those which follow an investment programme substantially similar to that of the Company (such other clients, funds and accounts, collectively the “**Other Accounts**”). The Company may or may not have an interest in the Other Accounts. The Investment Manager may give advice or take action with respect to the Other Accounts that differs from the advice given or action taken with respect to the Company.

Risks relating to regulation and taxation

Greater regulation of the financial services industry, which imposes additional restrictions on the Company may materially affect the Company’s business and its ability to achieve its investment objective

In the European Union, the current Markets in Financial Instruments Directive, which establishes the regulatory framework for authorised institutions (including the Investment Manager) established in a European Union Member State, is in the process of renegotiation as a result of the perceived failures of financial services regulation during the financial crisis. The stated aim is to implement a replacement directive during the course of 2013. The consultation paper issued by the European Commission during 2010 indicated that regulatory obligations on firms (such as the Investment Manager) that deal, in particular, with non-retail clients (such as the Company) will be widened and strengthened.

There can be no assurance that future regulatory action will not result in additional market dislocation. It is impossible to predict the nature, timing and scope of future changes in laws and regulations applicable to the Company, the Investment Manager, the markets in which they trade and invest or the counterparties with which they do business. Any such changes in laws and regulations may have a material adverse effect on the ability of the Company to carry out its business, successfully to pursue its investment policy and to realise its profit potential, and may include a requirement of increased transparency as to the identity of investors in the Company. Any such event may materially adversely affect the investment returns of the Company.

Changes in the Company’s tax status or tax treatment may adversely affect the Company and if the Company becomes subject to the UK offshore fund rules there may be adverse tax consequences for certain UK resident Shareholders

Any change in the Company’s tax status, or in taxation legislation or practice in either Jersey or the United Kingdom or any jurisdiction in which the Company owns assets, or in the Company’s tax treatment, may affect the value of the investments held by the Company or the Company’s ability successfully to pursue and achieve its investment objectives, or alter the after-tax returns to Shareholders. Statements in this Prospectus concerning the taxation of Shareholders are based upon current United Kingdom and Jersey tax law and published practice, any aspect of which law and practice is, in principle, subject to change (potentially with retrospective effect). Any such change may adversely affect the ability of the Company successfully to pursue its Investment Policy or meet its investment objectives, and may adversely affect the taxation of Shareholders.

Statements in this Prospectus in particular take into account legislation introduced by the Finance Act 2009, which provides for a new definition of “offshore fund” for the purposes of the United Kingdom offshore fund rules and which took effect from 1 December 2009. Should the Company be regarded as being subject to the offshore fund rules this may have adverse tax consequences for certain UK resident shareholders.

Potential investors are urged to consult their tax advisers with respect to their particular tax situations and the tax effect of an investment in the Company.

Failure by the Company to maintain its non-UK tax resident status may subject the Company to additional taxes which may materially adversely affect the Company’s business, the results of its operations and the value of the Shares

In order to maintain its non-UK tax resident status, the Company is required to be controlled and managed outside the United Kingdom. The composition of the board of Directors of the Company, the place of residence of the individual Directors and the location(s) in which the board of Directors of the Company makes decisions will be important in determining and maintaining the non-UK tax resident status of the Company. Although the Company is established outside the United Kingdom and a majority of the Directors live outside the United Kingdom, continued attention must be given to ensure that major decisions are not made in the United Kingdom or the Company may lose its

non-UK tax resident status. Loss of non-UK tax resident status may adversely affect the Company's financial condition, the value of the Shares and/or the after-tax return to the Shareholders.

Recently enacted US tax legislation may in the future impose a withholding tax on certain payments received by the Company and on payments to Shareholders and further may cause the Company to close out certain Shareholders

The United States Congress recently enacted legislation that effectively will require the Company to enter into an agreement with the US Internal Revenue Service (the "IRS") that may effectively require the Company to obtain information about its Shareholders and to disclose information about its US Shareholders to the IRS. The Company could become subject to a 30 per cent withholding tax on certain payments of (or attributable to) US source income and gross proceeds to the Company if it does not enter into such an agreement, is unable to obtain required information about its US Shareholders, or otherwise fails to satisfy obligations under the agreement. Additionally, if the Company does enter into such an agreement with the IRS, the 30 per cent withholding tax could be imposed on some or all of the payments made to Shareholders that do not provide the required information or that are characterised as a "foreign financial institution" and that have not entered into similar agreements with the IRS. As a result, Shareholders may be required to provide any information that the Company determines necessary to avoid the imposition of such withholding tax or in order to allow the Company to satisfy such obligations. In addition, the failure to provide the requested information generally will compel the Company to force the sale of such Shareholder's Shares (and such sale could be for less than their then fair market value).

The AIFM Directive may impair the ability of the Investment Manager to manage the investments of the Company, which may materially adversely affect the Company's ability to implement its investment strategy and achieve its investment objective

In November 2010, the European Parliament approved the EU Directive on Alternative Investment Fund Managers (the "AIFM Directive"), which is due to be implemented throughout the EU in 2013. The AIFM Directive seeks to regulate alternative investment fund managers (in this paragraph, "AIFM") based in the EU and prohibits such managers from managing any alternative investment fund (in this paragraph, "AIF") or marketing shares or units in such AIFs to EU investors unless authorisation is granted to the AIFM. In order to obtain such authorisation, and be able to manage the AIF and market its shares, an AIFM will need to comply with various obligations in relation to the AIF, which may create significant additional compliance costs that may be passed to investors in the AIF.

Furthermore, the management of the assets of, and the marketing of shares or units to EU investors in, the AIF will not be permitted if the AIF's host country does not meet certain conditions set out in the AIFM Directive. If the Investment Manager were to be unable to obtain such authorisation or if its country of domicile were not to meet such requirements, the Investment Manager may be unable to continue to manage the Company. Any regulatory changes arising from implementation of the AIFM Directive (or otherwise) that impair the ability of the Investment Manager to manage the investments of the Company, or limit the Company's ability to market future issuances of its Shares, may materially adversely affect the Company's ability to carry out its investment strategy and achieve its investment objective.

The implementation of the Solvency II Directive in the European Union could result in the introduction of restrictions on insurance and reinsurance companies investing in the Company which could have an adverse effect on the trading price and/or liquidity of the Shares

On 5 May 2009, the European Council approved a new insurance directive, Directive 2009/138/EC, which seeks to revise the regulation and authorisation of insurance and reinsurance companies (the "Solvency II Directive"). The Solvency II Directive will set out new, EU-wide requirements on capital adequacy and risk management for insurance and reinsurance companies. Although the regulations implementing the Solvency II Directive have not yet been published, there can be no assurance that such regulations, and therefore the legislation implementing the Directive in individual states, will not restrict the ability of insurance and reinsurance companies in the EU to invest in investment companies such as the Company. To the extent that, as a result of the implementation of the Solvency II Directive, such companies are prevented from acquiring the Company's Shares and/or are required to dispose of any Shares held, this could have an adverse effect on the trading price and/or liquidity of the Shares.

IMPORTANT INFORMATION

Forward-looking statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, its investment objective and Investment Policy, financing strategies, dividend policy, results of operations, financial condition, prospects, growth and strategies; the performance of any investments that the Company may make; and conditions relating to the markets in which the Company may invest.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and circumstances that may or may not occur in the future. The Company’s actual results and future developments may differ materially from those expressed or implied by the forward-looking statements. Potential investors are advised to read this Prospectus in its entirety, and, in particular, the sections entitled “Risk Factors” beginning on page 6 of this Prospectus for a further discussion of the factors that could affect the Company’s future performance. Investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ materially from those expressed or implied by forward-looking statements before making an investment decision.

All forward-looking statements in this Prospectus reflect the current views of the Company with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company’s operations, results of operations, growth strategy and liquidity.

Subject to its legal and regulatory obligations (including the requirements of the Prospectus Rules, the Listing Rules and the Disclosure Rules and Transparency Rules), the Company expressly disclaims any obligation to update or revise or publicly release the result of any revisions or updates to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or to reflect any change in events, conditions or circumstances after the date of this Prospectus on which any statement is based.

Presentation of financial information

Unless otherwise indicated, in this Prospectus:

All references to “GBP”, “£”, “Sterling”, “pence” and “p” are to the lawful currency of the United Kingdom.

All references to “\$” “US\$” and “US Dollars” are to the lawful currency of the United States.

Certain financial and statistical information in this Prospectus reflect approximations or have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be exact arithmetic summations of the figures that precede them.

The Company is newly formed and as at the date of this Prospectus, has not yet commenced operations and has no material assets or liabilities, and therefore no financial statements have been prepared as at the date of this Prospectus. All future financial information for the Company is intended to be prepared in accordance with IFRS as adopted by the European Union and the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” issued by the AIC in 2009 (the “AIC 2009 SoRP”). As the Company will be effectively carrying on the business and activities of CMHYT, the financial statements for CMHYT for the three years ended 31 December 2011, 31 December 2010 and 31 December 2009 are incorporated into this Prospectus by reference in Part II. Such financial information has been prepared in accordance with UK GAAP and with the AIC 2009 SoRP. In making an investment decision, prospective investors must rely on their own examination of CMHYT and the Company from time to time and the financial information in this Prospectus.

Industry, market and other data

Information regarding markets, market size, market share, market position and other industry data pertaining to the Company’s business and the Investment Manager contained in this Prospectus consists of estimates based on data and reports compiled by professional organisations and analysts

or information made public by the Investment Manager, on data from external sources and on the Company's and the Investment Manager's knowledge of the relevant markets. Information regarding the macroeconomic environment in the UK and the global financial markets has been compiled from publicly available sources. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Company to rely on internally developed estimates. The Company takes responsibility for compiling, extracting and reproducing market or other industry data from external sources, including third parties or industry or general publications.

General

Investors should rely only on the information contained in this Prospectus. 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 subscription or purchase of 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 hereof or that the information contained herein is correct as of any time subsequent to the date of this Prospectus.

An investment in the Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear losses (which may equal the whole amount invested) that may result from such investment. An investment in the Shares should constitute part of a diversified investment portfolio. Accordingly, typical investors in the Company are expected to be institutional investors, private client fund managers and private client brokers, as well as private individuals who have received advice from their fund manager or broker regarding investment in the Shares.

Own investigation

Prospective investors must not treat the contents of this Prospectus as advice relating to legal, business, financial, taxation, investment or any other matters. Prospective investors must inform themselves as to: (i) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Shares; (ii) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Shares which they might encounter; and (iii) the income and other tax consequences which apply in their countries as a result of the purchase, holding, transfer, redemption or other disposal of Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment, or any other related matters concerning the Company and an investment in the Shares.

Winterflood Securities is regulated in the United Kingdom by the Financial Services Authority and is acting exclusively for the Company and for no one else in connection with the Issue and Admission. Winterflood Securities will not regard any other person (whether or not a recipient of this Prospectus) as its client in connection with the Scheme and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Winterflood Securities or for advising any other person on the contents of this Prospectus or the Scheme.

Neither Winterflood Securities nor any of its representatives is making any representation to any offeree or purchaser of Shares regarding the legality of an investment in the Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

No representation or warranty, express or implied, is made by Winterflood Securities or any of its respective affiliates as to the accuracy, completeness or verification of the information set forth in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. Apart from the responsibilities and liabilities, if any, which may be imposed on Winterflood Securities by FSMA or the regulatory regime established thereunder or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither Winterflood Securities nor any of its respective affiliates accepts any responsibility whatsoever for the contents of this Prospectus or for any statement made or purported to be made by it, or on its behalf, in connection with the Company, the Shares or the Scheme. Winterflood Securities and its respective affiliates accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of such document or any such statement.

The prospective Investors also acknowledge that: (i) they have not relied on Winterflood Securities or any person affiliated with Winterflood Securities in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied only on the information contained in this Prospectus, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or Winterflood Securities.

Distribution

The distribution of this Prospectus and the offer of the Shares in certain jurisdictions may be restricted by law. Accordingly, neither this Prospectus nor any advertisement or any other offering material in connection with the Scheme may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons outside the United Kingdom into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

This document does not constitute, and may not be used for the purposes of, an offer or any invitation to subscribe for any Shares by any person in any jurisdiction: (i) in which such offer of invitation is not authorised; or (ii) 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.

No action has been taken or will be taken in any jurisdiction by the Company or Winterflood Securities that would permit a public offering of the Shares in any jurisdiction outside the United Kingdom where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this Prospectus other than in any jurisdiction where actions for that purpose are required.

The Scheme and the distribution of this Prospectus are subject to the restrictions set out in Part IV of this Prospectus.

References to defined terms

Certain terms used in this Prospectus, including capitalised terms and certain technical and other terms are explained in the section entitled “Definitions” beginning on page 61 of this Prospectus.

Times and dates

References to times and dates in this Prospectus are, unless otherwise stated, to United Kingdom times and dates.

No incorporation of website information

Information relating to the Company can be found on the Investment Manager’s website which can be located at www.invescoperpetual.co.uk/investmenttrusts and this Prospectus is available on that website. The contents of the website of the Investment Manager, including any websites hyper-linked thereto, do not form part of this Prospectus.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<i>Event</i>	<i>2012⁽¹⁾</i>
Latest time and date for notice of dissent under the Scheme	5.30 p.m. on 29 March
Announcement of result of the general meeting of CMHYT	30 March
Effective Date	30 March
Admission and commencement of unconditional dealings in Shares	8.00 a.m. on 2 April
CREST accounts to be credited with Shares (if applicable) ⁽²⁾	2 April
Despatch of definitive share certificates (where applicable) in respect of Shares	By 16 April

Notes:

(1) All times are London times. Each of the times and dates in the above timetable may be subject to change.

(2) Or as soon as possible thereafter. No temporary documents of title will be issued.

DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors

Clive Nicholson
Winifred Robbins
Philip Austin
John Boothman
Philip Taylor

Principal functions

Non-executive Chairman
Non-executive Director
Non-executive Director
Non-executive Director
Non-executive Director and audit committee chairman

Note: The business address of each of the Directors is the Company's registered office

Registered office of the Company

Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW
Channel Islands

Investment Manager

Invesco Asset Management Limited
30 Finsbury Square
London EC2A 1AG

Administrator and Company Secretary

R&H Fund Services (Jersey) Limited
P O Box 83
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW
Channel Islands

Custodian

The Bank of New York Mellon
One Canada Square
London E14 5AL

Sponsor and Financial Adviser

Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Legal advisers to the Company as to English law

Ashurst LLP
Broadwalk House
5 Appold Street
London EC2A 2HA

Legal advisers to the Company as to Jersey law

Mourant Ozannes
22 Grenville Street
St Helier
Jersey JE4 8PX
Channel Islands

Reporting Accountants

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registrar

Capita Registrars (Jersey) Limited
12 Castle Street
St Helier
Jersey JE2 3RT
Channel Islands

Lending Bank

The Bank of New York Mellon
The Bank of New York Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

PART I – INFORMATION ON THE COMPANY

1. Introduction

On 23 February 2012 the directors of CMHYT announced details of their proposals for a scheme of reconstruction of CMHYT. Pursuant to the Scheme, CMHYT will be wound up under section 110 of the Insolvency Act. Upon the winding up commencing, CMHYT and the Company will enter into the Transfer Agreement pursuant to which CMHYT's net assets (including its existing investment portfolio) after providing for its liabilities (including contingent liabilities and the costs incurred by CMHYT in relation to the Scheme which will include the costs, if any, to be paid to any CMHYT Shareholders who dissent under the Scheme)) will be transferred to the Company *in specie* and Qualifying CMHYT Shareholders will receive one Share for every one CMHYT Share held by them. In total up to 72,799,105 Shares will be issued pursuant to the Scheme.

The assets to be acquired by the Company shall be invested in accordance with the Company's investment objective. The total value of the assets to be acquired by the Company will depend on the value of CMHYT's assets and liabilities on the date of transfer. On 21 February 2012, the latest practicable date prior to the publication of this Prospectus, CMHYT had a NAV of £116.1 million and 72,799,105 CMHYT Shares were in issue. After adjusting for the write off of CMHYT's deferred tax asset¹ and after deducting the Special Dividend and the estimated expenses of implementing the Scheme payable by CMHYT, the NAV per CMHYT Share would have been 154.55 pence. On this basis and allowing for the Company's estimated expenses in connection with the Proposals the opening NAV of the Company is estimated to be £112.0 million. If 72,799,105 Shares are issued under the Scheme, the opening NAV would on that basis be 153.85 per Share.

The Company is a closed-ended public investment company limited by shares registered and incorporated in Jersey on 19 December 2011, with registration number 109714 and established as a Listed Fund. The Company's share capital consists of a single class of ordinary shares of no par value. At any general meeting of the Company on a poll each Share carries one vote. The Shares also carry rights to receive all income and capital attributable to the Shares which may be distributed by the Company and rank equally for dividends.

The Company is managed by Invesco Asset Management Limited. Further information in relation to the Investment Manager is set out in Part III of this Prospectus.

Applications will be made to each of the UK Listing Authority and the London Stock Exchange for the entire share capital of the Company, issued and to be issued pursuant to the Scheme, to be admitted to listing on the Official List with a premium listing and to trading on the Main Market respectively. It is expected that Admission will become effective and that dealings in such Shares will commence at 8.00 a.m. on 2 April 2012.

2. Investment Objective

The Company will have the same investment objective as CMHYT, which is to seek to obtain both high income and capital growth from investments predominantly in high yielding fixed-interest securities.

The Company will seek to provide a high level of dividend income relative to prevailing interest rates through investment in fixed-interest securities, various equity-like securities within fixed-income markets and equity-linked securities such as convertible bonds and in direct equities that have a high income yield. It will also seek to enhance total returns through capital appreciation generated by investments which have equity-related characteristics.

3. Investment Policy

Investment style

The Company will be actively managed and will seek to ensure that its Portfolio is diversified, having regard to the nature and type of securities (including duration, credit rating, performance and risk measures and liquidity) and the geographic and sector composition of the Portfolio. The Company may hold both illiquid securities (for example, securities where trading volumes are relatively low and unlisted securities) and concentrated positions (for example, where a high proportion of the Company's total assets is comprised of a relatively small number of investments).

1. For more information relating to the deferred tax asset, please refer to the CMHYT circular which accompanies this document.

Investment limits

The Company has adopted the following investment limits:

- the Company may invest in fixed-interest securities, including but not restricted to preference shares, loan stocks (convertible and redeemable), corporate bonds and government stocks, up to 100 per cent of total assets;
- investments in equities may be made up to an aggregate limit of 20 per cent of total assets at the time a new investment is made;
- the aggregate value of holdings of shares and securities in a single issuer or company, including a listed investment company or trust, will not exceed 15 per cent of the value of the Company's investments at the time of investment; and
- investments in unlisted investments will not exceed 10 per cent of the Company's total assets for individual holdings and 25 per cent in aggregate of total assets at the time a new investment is made.

Derivatives and currency hedging

The Company may enter into derivative transactions (including options, futures and contracts for difference, credit derivatives and interest rate swaps) for the purposes of efficient portfolio management. The Company will not enter into derivative transactions for speculative purposes.

Efficient portfolio management may include the reduction of risk, reduction of cost and enhancement of capital or income through transactions designed to hedge all or part of the Portfolio, to replicate or gain synthetic exposure to a particular investment position where this can be done more effectively or efficiently through the use of derivatives than through investment in physical securities or to transfer risk or obtain protection from a particular type of risk which might attach to Portfolio investments.

The Company may hedge against exposure to changes in currency rates to the full extent of any such exposure.

Gearing

The Company's gearing policy is determined by the Board. The level of gearing may be varied from time to time in the light of prevailing circumstances subject to a maximum of 30 per cent of the Company's total assets at any time.

General

In accordance with the requirements of the Listing Rules, the Company will not materially alter its Investment Policy without the approval of its Shareholders by Ordinary Resolution; such an alteration would be announced by the Company through a Regulatory Information Service.

4. CMHYT Investment Portfolio

Under the terms of the Scheme, the Company's Portfolio on launch will consist of CMHYT's net assets at the Effective Date after providing for its liabilities (including contingent liabilities and the costs incurred by CMHYT in relation to the Proposals).

As at the close of business on 21 February 2012 (being the latest practicable date prior to the publication of this Prospectus), CMHYT's largest investments by value, which together represent more than 50 per cent of the unaudited Net Asset Value of CMHYT, were as follows:

Issuer	Issue¹	Moody/ S&P² Rating	Sector	Country of Incorporation	Market value £'000	% of Portfolio
LBG Capital	7.975% 15 Sep 2024	Ba3/BB	Financials	UK	2,876	2.66
	6.385% 12 May 2020	Ba2/BB+			973	0.90
	9% 15 Dec 2019	Ba2/BB+			868	0.80
	6.439% 23 May 2020	Ba3/BB			648	0.60
	16.125% 10 Dec 2024	Ba2/BB+			113	0.10
					<hr/>	<hr/>
					5,478	5.06
General Motors	Wts 10 Jul 2019	Equity	Consumer Goods	USA	3,610	3.34
	Wts 10 Jul 2016	Equity			367	0.34
	(Escrow) 0% 15 Jul 2033	NR/NR			9	0.01
					<hr/>	<hr/>
					3,986	3.69

Issuer	Issue ¹	Moody/ S&P ² Rating	Sector	Country of Incorporation	Market value £'000	% of Portfolio
Premier Farnell	89.2P Cum Cnv Red Prf	NR/NR	Industrials	UK	3,616	3.35
Societe Generale	8.875% FRN Perpetual	Ba1/BBB-	Financials	France	3,114	2.88
Bank of America	6% 01 Sep 2017	Baa1/A-	Financials	USA	1,906	1.76
	6.125% 15 Sep 2021	Baa1/A-			979	0.91
					<hr/> 2,885	<hr/> 2.67
Vedanta	4% Cnv 30 Mar 2017	NR/BB	Basic Materials	UK	2,136	1.98
	8.25% 07 Jun 2021	Ba3/BB			567	0.52
					<hr/> 2,703	<hr/> 2.50
Aviva	6.125% Perpetual	A3/BBB+	Financials	UK	2,541	2.35
Balfour Beatty	10.75P Gross Cum Cnv Prf	NR/NR	Industrials	UK	2,418	2.24
Intesa Sanpaolo	8.375% FRN Perpetual	Baa2/BBB	Financials	Italy	2,390	2.21
Citigroup	FRN 28 Jun 2067	Baa3/BB	Financials	USA	1,691	1.56
	Pfd USD100	NR/NR			573	0.53
	Common Stock	Equity			42	0.04
					<hr/> 2,306	<hr/> 2.13
Cemex - S.A.B Espana	4.875% Cnv 15 Mar 2015	NR/NR	Consumer Goods	Mexico	1,766	1.63
	9.25% 12 May 2020	NR/B-		Spain	494	0.46
					<hr/> 2,260	<hr/> 2.09
Intergen	9.5% 30 Jun 2017	Ba3/BB-	Oil and Gas	Holland	2,000	1.85
	8.5% 30 Jun 2017	Ba3/BB-			213	0.20
					<hr/> 2,213	<hr/> 2.05
REA Finance	9.5% 31 Dec 2017	NR/NR	Consumer Goods	Holland	2,060	1.91
American International Group	8.625% FRN 22 May 2068	Baa2/BBB	Financials	USA	886	0.82
	8.175% 15 May 2068	Baa2/BBB			635	0.59
	6.797% 15 Nov 2017	Baa1/A-			372	0.34
					<hr/> 1,893	<hr/> 1.75
Unity Media	9.625% 01 Dec 2019	B3/B-	Consumer Services	Germany	1,811	1.68
Barclays	9.25% 29 Nov 2049	Baa2/BBB	Financials	UK	999	0.92
	6.625% 30 Mar 2022	Baa1/BBB+			796	0.74
					<hr/> 1,795	<hr/> 1.66
First Hydro Finance	9% 31 Jul 2021	NR/NR	Utilities	UK	1,794	1.66
DFS	9.75% 15 Jul 2017	B2/B	Consumer Goods	UK	1,784	1.65
Catlin	7.249% FRN Perpetual	NR/BBB+	Financials	USA	1,754	1.62
Santos Finance	8.25% 22 Sep 2070	NR/BB	Oil and Gas	Australia	1,630	1.51
SSE	5.025% Perpetual	Baa2/BBB	Utilities	UK	1,628	1.51
RWE	4.625% FRN Perpetual	Baa2/BBB	Utilities	Germany	1,595	1.48
Credit Agricole	7.589% FRN Perpetual	Baa3/BBB-	Financials	France	1,513	1.40

1. Abbreviations used in the above table: Cnv: Convertible, Cum: Cumulative, FRN: Floating Rate Note., Pfd: Preferred, Prf: Preference, Red: Redeemable and Wts: Warrants
2. Neither of Standard & Poor's or Moody's is registered in accordance with Regulation (EU) No. 1060/2009.

As at the close of business on 21 February 2012 (being the latest practicable date prior to the publication of this document), CMHYT's investments and cash classified by currency denomination (including currency hedging) were as follows:

	Sterling	Other	Total	Portfolio and Cash
	%	%	%	%
Equities	0.2	4.5	4.7	4.7
Convertible preference	5.3	—	5.3	5.3
Fixed interest				
Convertibles	0.1	6.3	6.4	6.3
Loan and debenture stock	34.8	42.6	77.4	77.2
Preference stock	1.8	0.5	2.3	2.3
Total fixed interest	36.7	49.4	86.1	85.8
Portfolio Total	42.2	53.9	96.1	95.8
Cash	0.1	4.1	4.2	4.2
Portfolio and Cash Total	42.3	58.0	100.3	100.0
Currency Hedging				
Borrowings	—	—	—	
Forward currency sales	33.9	(34.2)	(0.3)	
Total Currency Hedging	33.9	(34.2)	(0.3)	
Net Currency Exposure	76.2	23.8	100.0	

As at the close of business on 21 February 2012 (being the latest practicable date prior to the publication of this document), CMHYT's investments classified by geographical location were as follows:

	United Kingdom	North America	Europe	South Africa & Australia	Other	Total
	%	%	%	%		
Equities	0.2	4.0	0.7	—	—	4.9
Preference	2.0	0.5	—	—	—	2.5
Convertible preference	5.6	—	—	—	—	5.8
Fixed interest	34.0	14.0	36.7	2.3	—	87.0
Total	41.8	18.5	37.4	2.3	—	100.0

As at the close of business on 21 February 2012 (being the latest practicable date prior to the publication of this document), the sector analysis of CMHYT's investments by geographical location was as follows:

Sector	United Kingdom	Other	Total
	%	%	%
Oil and Gas	—	6.4	6.4
Basic Materials	4.1	1.7	5.8
Industrials	6.7	8.5	15.2
Consumer Goods	3.5	10.5	14.0
Healthcare	0.5	—	0.5
Consumer Services	3.6	4.6	8.2
Telecommunications	—	0.8	0.8
Utilities	5.0	2.9	7.9
Financials	18.3	20.7	39.0
Technology	0.1	0.8	0.9
Support Services	—	1.3	1.3
Total	41.8	58.2	100.0

As at the close of business on 21 February 2012 (being the latest practicable date prior to the publication of this document), the bond rating analysis (Standard & Poor's) of CMHYT's investments was as follows:

Rating	% of Portfolio
A	0.5
A-	4.1
BBB+	8.2
BBB	8.5
BBB-	5.9
BB+	4.0
BB	14.0
BB-	8.8
B+	7.5
B	7.8
B-	2.8
CCC+	0.3
CCC	0.6
C	0.1
D	0.1
Not Rated	26.8
Total	100.0

All figures in this section 4 are sourced from the Investment Manager and are unaudited.

5. CMHYT Performance

CMHYT's record (audited, except where indicated) for the three financial years ended 31 December 2011 and as at 21 February 2012 (being the latest practicable date prior to the publication of this document) is set out below:

	As at and for the year ended			As at
	31 December			21 February
	2009	2010	2011	2012⁽²⁾
Dividend per Share (p) ⁽¹⁾	13	11	10	2.4
NAV per Share (p)	156.69	168.98	145.56	159.46 ⁽³⁾
Share price (p)	158.00	173.00	147.00	163.00

(1) The dividends shown are those that were paid or declared in respect of each financial period.

(2) The figures shown for 21 February 2012 are unaudited.

(3) The NAV per Share as at 21 February 2012 includes current year revenue.

6. Effects of the Proposals

A significant proportion of the income received by CMHYT from its investment portfolio, being derived mainly from fixed-interest securities, is liable to UK corporation tax. In recent years CMHYT's ability to pay dividends has been enhanced because it has been able to reduce its liability to UK corporation tax through offsetting surplus management expenses, which arose through its merger with Exeter Selective Assets Investment Trust plc, against taxable income.

These surplus management expenses are now nearly exhausted and CMHYT is writing down the associated deferred tax asset on its balance sheet, which is giving rise to a tax charge of an amount equal to the amount of the write down. Consequently, CMHYT has incurred a tax charge in each of the years ended 31 December 2010 and 31 December 2011 and, for the same reasons, would incur a tax charge for the current financial year if it continued in its present form. Thereafter, the surplus management expenses having been exhausted, CMHYT would be liable to UK corporation tax on the full amount of its taxable investment income. Such a tax charge would have a significant and recurring impact on distributable reserves, which would reduce dividends and total returns to CMHYT Shareholders. Based on current revenue levels in CMHYT, it is estimated that a full annual UK corporation tax charge would be approximately £1.9m, equivalent to approximately 2.6 pence per CMHYT Share.

The directors of CMHYT, together with CMHYT's advisers, have examined methods to enable CMHYT to continue to deliver tax-efficient investment returns to CMHYT Shareholders from high-yielding fixed-interest securities and have devised the Proposals set out in the circular which accompanies this Prospectus.

The Proposals are intended to put CMHYT Shareholders in a position equivalent to previous years when CMHYT had sufficient surplus management expenses to offset fully its liability to UK corporation tax. The Proposals are expected to provide the following benefits for the Company:

- the Company will not be subject to UK corporation tax, which should significantly increase its net distributable income as compared with CMHYT and thereby enhance total returns;
- any uncertainty over CMHYT's tax situation that may have affected trade in CMHYT Shares will be removed; and
- the Company may enjoy increased flexibility as compared with CMHYT because it will not seek to be approved as an investment trust in the UK.

Following implementation of the Proposals, the annual running costs of the Company will not be materially different from those currently paid by CMHYT.

Additionally, for Shareholders who are liable to stamp duty or SDRT when purchasing CMHYT Shares, such taxation is not due when purchasing the Shares.

7. Capital Structure

The Company is being launched in connection with the Scheme. The Company's capital will consist of a single class of ordinary shares of no par value denominated in Sterling. The Shares are being offered pursuant to the Scheme and will be issued to Qualifying CMHYT Shareholders for a consideration consisting wholly of the transfer of CMHYT's assets to the Company. The Shares will rank *pari passu* with each other in all respects. At any general meeting of the Company on a poll each Share carries one vote. The Shares also carry rights to receive all income and capital attributable to the Shares which may be distributed by the Company.

8. Discount Control

Continuation Resolution

The Company does not have a fixed life but, in accordance with the Articles, unless an Ordinary Resolution is passed at or before the annual general meeting held in each year releasing the Directors from such obligation (a "**continuation resolution**"), the Directors must convene a general meeting (to be held within six months of the annual general meeting) at which a Special Resolution is proposed to wind up the Company and at which the Directors are required to put proposals for the reconstruction or reorganisation of the Company to the Shareholders for their approval. The first such continuation resolution will be put to Shareholders at the Company's annual general meeting in 2013.

Share Purchases and Buy Backs

Pursuant to a Special Resolution of the subscribers to the Company's memorandum of incorporation dated 22 February 2012, the Directors have been granted general authority to purchase in the market up to 14.99 per cent of the Shares in issue immediately following Admission at a price not exceeding the prevailing Net Asset Value per Share as at the time of purchase. The Directors intend to seek renewal of this authority from the Shareholders at the Company's annual general meetings.

Pursuant to this authority, and subject to Article 57 of the Law and the discretion of the Directors, the Company may purchase Shares in the market on an ongoing basis with a view to addressing any imbalance between the supply of and demand for Shares, thereby increasing the Net Asset Value per Share and assisting in controlling any discount to Net Asset Value per Share at which the Shares may be trading.

In the event that the Board decides to repurchase Shares, purchases will only be made through the market for cash at prices calculated by reference to the middle market valuation of the Shares on the Daily Official List of the London Stock Exchange and not exceeding the estimated prevailing Net Asset Value per Share where the Directors believe such purchases will result in an increase in the Net Asset Value per Share. Such purchases will only be made in accordance with: (a) the Listing Rules, which currently provide that the maximum price to be paid per Share must not be more than the higher of: (i) 5 per cent above the average of the mid market values of Shares for the five Business

Days before the purchase is made; or (ii) the higher of the last independent trade or the highest current independent bid for Shares; and (b) Article 57 of the Law, which provides *inter alia*, that any purchase is subject to the Company passing the relevant solvency test contained in the Law at the relevant time.

Shares purchased by the Company may be cancelled or held in treasury.

The Company may borrow and/or realise investments in order to finance such Share purchases.

Shareholders and prospective Shareholders should note that the purchase of Shares by the Company is entirely discretionary and no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.

9. Further Issues of Shares

The Directors will have authority to allot further Shares in the share capital of the Company following Admission. Further issues of Shares will only be made if the Directors determine such issues to be in the best interests of Shareholders and the Company as a whole. Relevant factors in making such determination include Net Asset Value performance, Share price rating and perceived investor demand. In the case of further issues of Shares, such Shares will only be issued at prices which are not less than the then prevailing Net Asset Value per Share (as estimated by the Directors).

There are no provisions of Jersey law which confer rights of pre-emption in respect of the allotment of Shares, or require shareholder approval for issues of shares. The Articles, however, contain pre-emption rights in relation to allotments of Shares for cash. Pursuant to a Special Resolution of the subscribers to the Company's memorandum of incorporation dated 22 February 2012, it was resolved to disapply such pre-emption rights in relation to a number of Shares equal to 10 per cent of the Shares in issue immediately following Admission for a period concluding immediately prior to the annual general meeting of the Company to be held in 2013. The Directors intend to request that the authority to allot Shares for cash on a non-pre-emptive basis is renewed at the annual general meeting of the company in 2013 and at each subsequent annual general meeting.

10. Dividend Policy

It is the intention of the Company to provide a high level of dividend income relative to prevailing interest rates and to make distributions in the form of quarterly dividends payable in February, May, August and November of each year with the first dividend to be paid in August 2012. For the period from Admission to 31 December 2012, on the basis of current market conditions as at the date of this Prospectus, the Board will target a dividend of 7.6 pence per Share which together with the Special Dividend of 2.4 pence per share to be paid by CMHYT, would represent total dividends of 10 pence per share in respect of the 12 months to 31 December 2012.

CMHYT allocated investment management fees and finance costs 65 per cent to revenue and 35 per cent to capital, in accordance with the board of CMHYT's expectation of the long term split of returns. All other expenses were charged to revenue. It is the intention of the Board to apply the same accounting policy to the Company's expenses and, as far as practical, to pay dividends each year that are covered by net revenue received, with only limited recourse to reserves, if required, to support dividend payments in the future.

CMHYT paid dividends of 12 pence, 13 pence and 11 pence per CMHYT Share in respect of the three financial years ended 31 December 2008, 2009 and 2010 respectively. In respect of the financial year ended 31 December 2011, CMHYT paid three interim dividends of 2.5 pence per CMHYT Share and has declared a fourth interim dividend of 2.5 pence per CMHYT Share.

11. Borrowing Facility

CMHYT currently has a revolving credit facility with The Bank of New York Mellon. This facility allows CMHYT to draw down amounts in Sterling, Euros or US Dollars to a maximum Sterling equivalent of £20 million. The interest payable is based on the interbank offered rate for the currency drawn down. As at 21 February 2012 (the latest practicable date prior to publication of this Prospectus), CMHYT had no draw downs. It is intended that the Company will enter into a similar facility once the Scheme becomes effective and the assets of CMHYT are transferred to the Company.

12. Changes to the Company

Amendments to the Memorandum and Articles of Association of the Company will be required to be approved by Special Resolution. No changes to the Company's Investment Policy and investment objective may be made without the consent of a majority of the Shareholders. Where changes to the rights of Shareholders that do not require the prior approval of Shareholders are proposed, the Company will give Shareholders notice of the proposed changes.

Certain changes to the Company will require the prior consent of the JFSC such as any changes that are contrary to the terms of the Jersey Listed Fund Guide or otherwise requiring the prior consent of the JFSC in accordance with JFSC published policies applicable to Listed Funds.

13. Voting Rights in Underlying Assets

The Company's voting rights in the assets comprised in its Portfolio will be exercised by the Investment Manager on an informed and independent basis and are not simply passed back to the company concerned for discretionary voting by its chairman. Further details on the Investment Manager's policy on corporate governance and stewardship can be found on its website at www.invescoperpetual.co.uk.

14. Reports and Accounts and Meetings

The first accounting period of the Company will run from the date of the Company's incorporation to 31 December 2012 and, thereafter, accounting periods will end on 31 December in each year. The audited annual accounts will be provided to Shareholders within four months of the year end to which they relate. Unaudited half yearly reports, made up to 30 June in each year, will be announced within two months of that date. The Company will also produce interim management statements in accordance with the Disclosure Rules and Transparency Rules. The Company will report its results of operations and financial position in Sterling.

In the Company's first annual report and accounts the Directors intend to include information for the period from 1 January 2012 until the Effective Date which will not be audited but will mean that Shareholders have a complete financial history for the Company and for CMHYT.

The audited annual accounts and half yearly reports will also be available at the registered office of the Company and from the Investment Manager's website, www.invescoperpetual.co.uk/investmenttrusts.

The financial statements of the Company will be prepared in accordance with IFRS and the AIC 2009 SoRP and the annual accounts will be audited using auditing standards in accordance with International Standards on Auditing (UK and Ireland). The Company expects that its financial statements, which will be the responsibility of its Board, will consist of a statement of comprehensive income, a balance sheet, a statement of changes in equity and a cash flow statement, related notes and any additional information that the Board deems appropriate or that is required by applicable law.

The Company expects to hold its first annual general meeting in 2013.

15. Calculation and Publication of Net Asset Value per Share

The NAV per Share will be calculated by the Investment Manager in accordance with the Company's accounting policies as at the close of business on each business day and will be announced through a Regulatory Information Service on the following business day. All of the Company's investments will be valued at fair value.

The calculation of NAV per 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 such calculations will be announced by RIS.

16. ISA, SIPP and SSAS status of the Shares

The Shares will be a qualifying investment for the stocks and shares component of an ISA and, in addition, will qualify as an investment that may be held in a SIPP or a SSAS.

17. Taxation

Information concerning the tax status of the Company and the taxation of Shareholders is contained in paragraph 11 of Part V of this document.

If any potential investor is in any doubt about the tax consequences of his/her acquiring, holding or disposing of Shares, he/she should seek advice from his/her own independent professional adviser.

PART II – FINANCIAL INFORMATION ON CITY MERCHANTS HIGH YIELD TRUST PLC

1. Statutory Accounts of CMHYT

Statutory accounts of CMHYT for the three financial years ended 31 December 2011, in respect of which CMHYT's auditor, Ernst & Young LLP, gave an unqualified opinion that the accounts gave a true and fair view of the state of affairs of CMHYT and of its net return and cash flows and were properly prepared in accordance with the Companies Act, were delivered to the Registrar of Companies. Ernst & Young LLP, 1 More London Place, London SE1 2AF, is a member of the Institute of Chartered Accountants in England and Wales.

2. Published Annual Reports and Accounts of CMHYT

Historical financial information of CMHYT

The published annual reports and audited accounts for CMHYT for the three financial years ended 31 December 2011 are incorporated into this document by reference, including the information specified in the table below. Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this Prospectus.

Nature of information	Report and accounts for the financial periods ended 31 December		
	2009 Page No(s)	2010 Page No(s)	2011 Page No(s)
Income Statement	52	49	42
Reconciliation of movements in shareholders' funds	52	49	42
Balance sheet	53	50	43
Cash flow statement	54	51	44
Accounting policies	55-57	52-53	45-47
Notes to the accounts	55-74	52-70	45-63
Independent auditors' report	50-51	47-48	40-41
Chairman's statement	4-5	4-5	4
Manager's investment report	6-8	6-8	5-6
Directors' report	24-38 and 42-48	22-42	20-36
Directors remuneration report	39-41	43-45	37-38

Selected financial information of CMHYT

The key audited figures that summarise CMHYT's financial condition in respect of the three financial years ended 31 December 2011, which have been extracted without material adjustment from the historical financial information referred to above, are set out in the following table:

	As at or for the year ended 31 December		
	2009	2010	2011
Investments (£'000)	114,652	111,445	97,028
Borrowings (£'000)	11,108	—	—
Net asset value			
Net assets (£'000)	114,070	123,012	105,967
Net assets per share (p)	156.69	168.98	145.56
Share price (p)	158.00	173.00	147.00
Income			
Revenue return after taxation (£'000)	8,966	6,037	5,310
Revenue return per share (p)	14.5	8.3	7.3
Dividend per share (p)	13	11	10
Gearing			
Shareholders' funds plus borrowings as a percentage of shareholders' funds (%)	110	100	100
Expense ratio			
Total expenses ratio	1.2	1.1	1.1

Operating and financial review of CMHYT

The published annual reports and audited accounts for CMHYT for the three financial years ended 31 December 2011, which have been incorporated by reference into this document, include, on the pages specified in the table below, descriptions of CMHYT's financial condition (in both capital and revenue terms), details of CMHYT's investment activity and portfolio exposure, and changes in its financial condition for each of those periods:

Nature of information	Report and accounts for the financial periods ended 31 December		
	2009	2010	2011
	Page No(s)	Page No(s)	Page No(s)
Chairman's statement	4-5	4-5	4
Manager's investment report	6-8	6-8	5-6
Investment portfolio	9-15	9-14	7-13
Financial summary/performance statistics	2-3	2-3	2-3

3. Availability of CMHYT reports and accounts for inspection

Copies of CMHYT's annual reports and audited accounts referred to above are available for inspection at the address set out in paragraph 19 of Part V of this document.

PART III – DIRECTORS, MANAGEMENT AND ADMINISTRATION

1. Directors

The Directors are responsible for managing the business affairs of the Company in accordance with the Articles and have overall responsibility for the Company's activities including the review of investment activity and performance, the review of the risk profile of the Company and the overall control and supervision of the Investment Manager. The Directors may delegate certain functions to other parties such as the Investment Manager, the Administrator and the Registrar (but will ensure that any agreements by which such other parties are appointed shall contain provisions to enable the Company to exercise oversight of such delegated functions). In particular, the Directors have delegated responsibility for managing the assets comprised in the Portfolio to the Investment Manager who is not required to, and generally will not, submit individual investment decisions for the approval of the Board.

The Board comprises five directors, each of whom is independent of the Investment Manager. Details of each of the Directors are set out below. The address of the Directors, all of whom are non-executive, is the registered office of the Company.

2. Directors' biographies

Clive Nicholson (*Chairman*)

Clive Nicholson was appointed to the board of CMHYT on 1 January 2005 and has been chairman since 1 January 2007. He is a senior partner of chartered accountants Saffery Champness, having joined the partnership in 1972. He is deputy chairman of Nexia International, the worldwide network of accountancy and consulting firms.

Winifred Robbins

Winifred Robbins joined the board of CMHYT on 19 March 2009. She was previously managing director and head of pan-European fixed income at Credit Suisse Asset Management, managing director and head of non-US fixed income at Citigroup Asset Management and managing director and head of European fixed income at Barclays Global Investors from which appointment she retired in 2008.

Philip Austin

Philip Austin is based in Jersey and is a retail banker by profession, having worked for Midland/HSBC for 34 years. In the last decade Philip has widened his experience to embrace responsibility for representing and promoting the finance industry in Jersey and internationally and to developing a portfolio of part-time non-executive directorships for both listed and private companies. Philip joined the Board on 19 December 2011.

John Boothman

John Boothman is based in Jersey and combines freelance consultancy work with a portfolio of part-time directorships. He has had several public sector appointments including three years as a Commissioner of Jersey Financial Services Commission and three years as a Commissioner on the Jersey Appointments Committee which vets senior public sector appointments. John joined the Board on 19 December 2011.

Philip Taylor

Philip Taylor is based in Jersey and is a chartered accountant by profession. He was the senior partner of PricewaterhouseCoopers CI LLP for 16 years and retired as a partner in 2009. He has since built up a portfolio of part-time directorships which are mainly related to the Jersey financial services sector. He is also an Accountant Board Member of the Accounting and Actuarial Discipline Board of the UK Financial Reporting Council and served as a Commissioner of the Jersey Financial Services Committee until 2012. Philip joined the Board on 19 December 2011.

3. Investment Manager

The Investment Manager is a company incorporated in the UK, with registration number 00949417. The Investment Manager has been appointed pursuant to the Investment Management Agreement (further details of which are set out in paragraph 12 of Part V of this Prospectus).

The Investment Manager is the principal UK asset management subsidiary of Invesco Ltd, one of the world's leading independent global investment management organisations. As at 31 December 2011, Invesco Ltd had approximately \$625.3 billion of assets under management. Primary responsibility for the management of the Company's Portfolio lies with Paul Read and Paul Causer, co-heads of Invesco's fixed-interest team based in Henley-on-Thames who, together, have more than 50 years' experience in managing portfolios of fixed-interest securities.

The Investment Manager is responsible for the day-to-day management of the assets held in the Portfolio (including uninvested cash) and will have broad discretion to invest the Company's assets to achieve the Company's investment objective. The Investment Manager is not required to and generally will not submit individual decisions for approval by the Board.

The Investment Manager will also provide certain administrative services to the Company (including the calculation and publication of the estimated daily NAV and preparation of the Company's accounts).

Details of the fees and expenses payable to the Investment Manager pursuant to the Investment Management Agreement are set out below and in the section headed "Material Contracts" in Part V of this Prospectus.

4. Administrator and Company Secretary

R&H Fund Services (Jersey) Limited has been appointed as Administrator and Company Secretary of the Company pursuant to the Administration Agreement (further details of which are set out in paragraph 12 of Part V of this Prospectus). In such capacity, the Administrator will be responsible for the day to day administration of the Company and general secretarial functions (including but not limited to the maintenance of the Company's statutory records).

The Administrator was incorporated as a limited liability company in Jersey on 29 November 1988. The authorised share capital of the Administrator is 25,000 shares of a nominal value of £1 each. The registered office of the Administrator is shown in the directory on page 16.

Investors should note that its not possible for the Administrator to provide any investment advice to the Company or its investors.

5. Custodian

The Bank of New York Mellon has been appointed Custodian of the Company. The Custodian will act as custodian in relation to the cash and securities of the Company and will hold the cash and securities of the Company, receive and deliver securities, cash and distributions, settle the purchase and sale of securities transactions, receive all payments of principal and distributions payable in respect of all securities, cash and distributions, exchange and surrender securities and provide statements of account and other services typical to a custodian to an investment company. The Custodian is a New York State banking corporation organised by Special Act of the New York State Legislative Chapter 616 of the laws of 1871 and has its registered office at 1 Wall Street, New York, New York 10286, USA. Its services will be provided to the Company through its London branch, the address of which is shown in the directory on page 16.

6. Registrar

The Registrar of the Company is Capita Registrars (Jersey) Limited, appointed pursuant to the Registrar Agreement (further details of which are set out in paragraph 12 of Part V of this Prospectus). The registered office of the Registrar is shown in the directory on page 16.

7. Lending Bank

It is intended that The Bank of New York Mellon will act as lending bank to the Company.

8. Ongoing Annual Expenses

Management fee

The Investment Manager will be entitled to a management fee which is payable quarterly in arrear and is equal to 0.1875 per cent of the Company's total assets under management less current liabilities, the same terms as for CMHYT. For the three financial years ended 31 December 2011, 2010 and 2009 CMHYT paid the Investment Manager fees of £848,000, £866,000 and £571,000 respectively.

Other fees and expenses

The Company will also incur ongoing annual fees and expenses which are currently estimated to be £380,000.

These expenses will include the following:

- *Secretarial and administration*

Under the terms of the Administration Agreement the Administrator is entitled to an annual fee of £37,500. In addition, under the Investment Management Agreement, in consideration for the limited administrative services provided by the Investment Manager, the Investment Manager is entitled to an annual fee, payable quarterly in arrear of £22,500. In aggregate, the fees paid by the Company for secretarial and administrative services are equal to the fee for such services currently paid by CMHYT to the Investment Manager (being the sole provider of such services to CMHYT).

- *Custody*

The Custodian is entitled to a variable fee based on the value of assets held and number of transactions undertaken by it on behalf of the Company.

- *Registrar*

The Registrar will be entitled to a fixed annual fee from the Company for the first three years it provides services to the Company. In the third year the fee may be adjusted to take account of inflation. Other registrar services will be charged for in accordance with the fee schedule to the Registrar Agreement as amended from time to time and the Registrar's normal tariff as published from time to time.

- *Directors*

Each Director is entitled to an annual fee of £19,000, save for the Chairman who is entitled to an annual fee of £28,500 and the chairman of the audit committee who is entitled to an annual fee of £22,000. Further information in relation to the remuneration of the Directors is set out in Part V of this Prospectus.

- *Other operational expenses*

All other ongoing operational expenses (excluding fees paid to service providers as detailed above) of the Company will be borne by the Company including, without limitation: the incidental costs of making its investments and the implementation of its investment objective and Investment Policy; travel, accommodation and printing costs; the cost of directors' and officers' liability insurance and website maintenance; audit and legal fees; and annual Main Market fees. All out of pocket expenses that are reasonably and properly incurred of the Investment Manager, the Administrator, the Registrar, the CREST agent and the Directors relating to the Company will be borne by the Company.

9. Conflicts of interest

Directors

In relation to transactions in which a Director is interested, the Articles provide that as long as the nature of the Director's interest has been disclosed a Director shall not be disqualified by his office from entering into a contract, arrangement, transaction or proposal with the Company, and no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company with any person, firm or company of or in which any Director is in any way interested, shall be avoided. Save for in respect of resolutions concerning certain limited matters as set out in the Articles, a Director may not, however, vote in respect of any such contract, arrangement, transaction or proposal. For further details see paragraph 5 of Part V of this Prospectus.

Investment Manager

The Company, and an investment in the Company and the Shares, are subject to a number of actual and potential conflicts of interest involving the Investment Manager. The Investment Manager's policy relating to conflicts of interest, as set out below, describes the arrangements in place within the Investment Manager to ensure the fair management of conflicts of interest. In addition, potential investors should read carefully the Risk Factors set out on pages 6 to 11 of this Prospectus and, in

particular, the risks set out under the section headed “Risks relating to the Investment Manager and other third party service providers” on pages 9 and 10 of this Prospectus.

The Investment Manager may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Investment Manager currently does, and expects to continue to, provide investment management, investment advice or other services in relation to a number of other companies, funds or accounts that may have 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, the Investment Manager may have conflicts of interest in allocating investments among the Company and its other clients and in effecting transaction between the Company and its other clients. The Investment Manager may give advice or take action with respect to its other clients that differs from the advice given or actions taken with respect to the Company.

10. Takeover Code

The Takeover Code will apply to the Company from Admission.

11. Corporate governance

The Company is committed to complying with the corporate governance obligations which apply to Jersey registered companies. Although there is no statutory corporate governance code applicable to Jersey registered companies as at the date of this Prospectus, the JFSC has issued a statement of support recommending the adoption of the AIC Code by Jersey-domiciled investment companies such as the Company.

The Listing Rules require that the Company must “comply or explain” against the UK Corporate Governance Code. In addition, the DTRs require the Company to: (i) make a corporate governance statement in its annual report and accounts based on the code to which it is subject or with which it voluntarily complies; and (ii) describe its internal control and risk management arrangements.

The Directors recognise the value of the UK Corporate Governance Code and have taken appropriate measures to ensure that the Company complies, so far as is possible given the Company’s size and nature of business, with the UK Corporate Governance Code. The areas of non-compliance by the Company with the UK Corporate Governance Code are as follows:

There is no chief executive position within the Company, which is not in accordance with provision A.2.1 of the UK Corporate Governance Code. As an investment company the Company has no employees and therefore no requirement for a chief executive.

There is also no senior non-executive director of the Company, which is not in accordance with provision A4.1 of the UK Corporate Governance Code.

12. AIC Code

The Board has agreed to comply with the AIC Code of Corporate Governance (the “**AIC Code**”) produced by the Association of Investment Companies (“**AIC**”).

The Company currently complies with, and will comply from Admission with, the AIC Code, and in accordance with such Code will be meeting its obligations in relation to the UK Corporate Governance Code and associated disclosure requirements of the Listing Rules. It is the intention of the Directors that the Company will become a member of the AIC on Admission and will provide information for publication by the AIC.

13. Directors’ Share dealings

The Directors have agreed to adopt and implement the Model Code for directors’ dealings contained in the Listing Rules (the “**Model Code**”). The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors.

14. Board committees

In accordance with the AIC Code, the Board has established an audit committee. The audit committee consists of all of the Directors, with formally delegated duties and written terms of reference which clearly define its responsibilities. The audit committee is responsible to the Board for reviewing each aspect of the financial reporting process, systems of internal control and the management of financial risks, the audit process, relationships with external auditors, the Company’s

processes for monitoring compliance with laws and regulations, its code of business conduct and for making recommendations to the Board. It is responsible for the appointment, re-appointment and removal of the auditors as laid out in its terms of reference. The committee meets at least twice a year to review the internal financial and non-financial controls, accounting policies and the contents of the interim and annual reports to shareholders. In addition, the committee reviews the auditors' independence, objectivity and effectiveness, the quality of the services of the service providers to the Company and, together with the Investment Manager, reviews the Company's compliance with financial reporting and regulatory requirements as well as risk management processes.

The Board as a whole undertakes the responsibilities which would otherwise be assumed by a remuneration committee and reviews on a regular basis the remuneration of the Directors. The Board has written terms of reference which clearly define its responsibilities and duties acting as the remuneration committee. The Board's policy is that Directors' remuneration should be fair and reasonable by comparison with fees paid by other investment companies of similar size and complexity.

The Board as a whole undertakes the responsibilities which would otherwise be assumed by nomination and management engagement committees and has written terms of reference which clearly define the Board's responsibilities and duties acting as these committees.

PART IV – ISSUE ARRANGEMENTS

1. The Issue

The Issue is solely to Qualifying CMHYT Shareholders for a consideration consisting wholly of the transfer of CMHYT's assets to the Company. In total up to 72,799,105 Shares will be issued to Qualifying CMHYT Shareholders on the basis of one Share for every one CMHYT Share held by them. The Shares will rank *pari passu* with each other in all respects including in respect of dividends and interest payable by the Company. The Scheme (and accordingly the Issue) is conditional on the passing of the resolutions to be proposed at the general meetings of CMHYT to be held on 22 March 2012 and 30 March 2012, and the obtaining by the Company of all necessary consents and permits and the Shares being admitted to the Official List with a premium listing by the FSA and to trading on the Main Market by the London Stock Exchange. The Issue will not proceed if the Scheme does not become effective.

2. The Main Market

The Main Market is an EU regulated market. Consequently, upon Admission the Company will be subject to the Prospectus Rules, the Disclosure Rules and Transparency Rules and the Market Abuse Directive (as implemented in the United Kingdom). Upon Admission, the Company will also be subject to the ongoing requirements of the Listing Rules.

3. General

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the UK and/or Jersey, the Company and its agents (and their agents) or the Investment Manager may require evidence, including further identification before any Shares are issued.

In the event that there are any significant changes affecting any of the matters described in this Prospectus or where any significant new matters have arisen after the publication of this Prospectus and prior to Admission, the Company will publish a supplementary prospectus. The supplementary prospectus will give details of the significant change(s) or the significant new matter(s).

Definitive certificates in respect of Shares in certificated form are expected to be dispatched by post by 16 April 2012. Temporary documents of title will not be issued.

4. Clearing and settlement

Shares will be issued in registered form and may be held in either certificated or uncertificated form and settled through CREST from Admission. Shares to be issued in uncertificated form pursuant to the Issue will be transferred to successful applicants through the CREST system. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a paperless book-entry settlement system operated by Euroclear UK & Ireland which enables securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

It is expected that the Company will arrange for Euroclear & Ireland to be instructed on 2 April 2012 to credit the appropriate CREST accounts of the subscribers concerned or their nominees with their respective entitlements to Shares. The names of subscribers or their nominees investing through their CREST accounts will be entered directly on to the share register of the Company.

The transfer of Shares outside of the CREST system following the Issue should be arranged directly through CREST. However, an investor's beneficial holding held through the CREST system may be exchanged, in whole or in part, only upon the specific request of the registered holder to CREST for share certificates or an uncertificated holding in definitive registered form. If a Shareholder or transferee requests Shares to be issued in certificated form and is holding such Shares outside CREST, a share certificate will be despatched either to him or his nominated agent (at his risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Shares. Shareholders (other than US Persons) holding definitive certificates may elect at a later date to hold such Shares through CREST or in uncertificated form provided they surrender their definitive certificates.

5. Dealings

Applications will be made to each of the UK Listing Authority and the London Stock Exchange for the entire share capital of the Company, issued and to be issued pursuant to the Scheme, to be admitted to listing on the Official List with a premium listing and to trading on the Main Market respectively.

It is expected that Admission will become effective and that dealings in such Shares will commence at 8.00 a.m. on 2 April 2012. Dealings in Shares in advance of the crediting of the relevant stock account shall be at the risk of the person concerned.

The ISIN for the Shares is JE00B6RMDP68.

The ticker for the Shares is CMHY.

6. Initial expenses related to the Issue

The expenses of launching the Company are expected to amount to approximately £515,000. This figure includes the admission fees payable to the London Stock Exchange for admission to trading, legal expenses (including legal expenses of incorporation and producing this Prospectus), accounting, advisory and other expenses. These expenses, which do not include any expenses of the Scheme payable by CMHYT, will be paid by the Company and borne by Shareholders.

The expenses of the Scheme to be borne by CMHYT are expected to amount to approximately £335,000 (inclusive of VAT). The liquidators of CMHYT will establish a liquidation fund of £50,000 to cover any additional or contingent liabilities.

7. Purchase and transfer restrictions

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or the Investment Manager.

The Company has elected to impose the restrictions described below on the Issue of the Shares so that the Company will not be required to register the offer and sale of the Shares under the US Securities Act, so that the Company will not have an obligation to register as an investment company under the US Investment Company Act and related rules and to address certain ERISA, US Tax Code and other considerations.

Restrictions due to lack of registration under the US Securities Act and US Investment Company Act restrictions

The Shares have not been and will not be registered under the US Securities Act or under the applicable securities laws of any state or other jurisdiction of the United States and, subject to certain exceptions, the Shares may not be offered, sold, resold, pledged, delivered or otherwise transferred directly or indirectly, within the United States or to, or for the account or benefit of, any US Person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. There will be no public offer of the Shares in or into the United States.

The Shares are being offered and sold outside the United States to non-US Persons in reliance on the exemption from registration provided by Regulation S under the US Securities Act.

Moreover, 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 the US Investment Company Act.

ERISA, US Tax Code and other restrictions

If an investor holds Shares at any time, except with the express consent of the Company given in respect of an investment in Shares, it shall be deemed to have represented and agreed for the benefit of the Company, the Company's affiliates and the Company's advisers that:

- (i) no portion of the assets it uses to purchase, and no portion of the assets it uses to hold, the 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 US Tax Code, including an individual retirement account or other arrangement, that is subject to Section 4975 of the U.S Tax Code; or
 - (C) an entity whose underlying assets are considered to include “plan assets” by reason of investment by an “employee benefit plan” or “plan” described in preceding clause (A) or (B) in such entity pursuant to the US Plan Asset Regulations; and
- (ii) if an investor 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 US Tax Code, its purchase, holding, and disposition of the Shares will not constitute or result in a non-exempt violation of any such substantially Similar Law.

Subscriber warranties

Each subscriber of Shares in the Issue will be deemed to have represented, warranted, acknowledged and agreed as follows:

- (a) it is not located within the United States, is not a US Person and is not acquiring the Shares for the account or benefit of a US Person;
- (b) it is a sophisticated investor who fully understands and is willing to assume the risks involved in investment in the Company;
- (c) it is acquiring the Shares in an offshore transaction meeting the requirements of Regulation S;
- (d) the 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;
- (e) the Company has not registered under the US Investment Company Act and that the Company has put in place restrictions to ensure that the Company is not and will not be required to register under the US Investment Company Act;
- (f) no portion of the assets used to purchase, and no portion of the assets used to hold, the Shares or any beneficial interest therein constitutes or will constitute the assets of (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a “plan” as defined in Section 4975 of the US Tax Code, including an individual retirement account or other arrangement, that is subject to Section 4975 of the US Tax Code; or (iii) an entity whose underlying assets are considered to include “plan assets” by reason of investment by an “employee benefit plan” or “plan” described in preceding clause (A) or (B) in such entity pursuant to the US Plan Asset Regulations. In addition, if an investor 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 US Tax Code, its purchase, holding, and disposition of the Shares must not constitute or result in a non-exempt violation of any such substantially Similar Law;
- (g) if in the future the investor decides to offer, sell, transfer, assign or otherwise dispose of the 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 that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions may be subject to the compulsory transfer provisions as provided in the Articles;
- (h) it is purchasing the 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 Shares in any manner that would violate the US Securities Act, the US Investment Company Act or any other applicable securities laws;
- (i) it acknowledges that the Company reserves the right to make inquiries of any holder of the Shares or interests therein at any time as to such person’s status under the 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 the US securities laws to transfer such Shares or interests in accordance with the Articles;

- (j) it is entitled to acquire the Shares under the laws of all relevant 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 jurisdiction of the Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, the Investment Manager, Winterflood Securities, or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Issue or its acceptance of participation in the Issue;
- (k) it has received, carefully read and understands this Prospectus, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus or any other presentation or offering materials concerning the Shares into the United States or to any US Persons, nor will it do any of the foregoing;
- (l) if it is acquiring any Shares as a fiduciary or agent for one or more accounts, the investor has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, acknowledgements and agreements on behalf of each such account; and
- (m) the Company, the Investment Manager, Winterflood Securities and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements. If any of the representations, warranties, acknowledgments or agreements made by the investor are no longer accurate or have not been complied with, the investor will immediately notify the Company.

PART V – ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors (whose names appear on page 16 of this Prospectus) accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (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 does not omit anything likely to affect the import of such information.

2. The Company

The Company was incorporated as a closed-ended public investment company with an indefinite life in Jersey on 19 December 2011 with the name “City Merchants High Yield Trust Limited” and registered number 109714. Pursuant to a Special Resolution on 22 February 2012 and in accordance with Article 11 of the Law and conditional on Admission, the Company amended its articles of association. The Company is established as a Listed Fund.

The Company’s registered office and principal place of business is at Ordnance House, 31 Pier Road, St. Helier, Jersey, JE4 8PW, Channel Islands, telephone: +44 1534 825200 (contact: Hilary Jones). The Company, which is domiciled in Jersey, operates under Jersey law and the orders and regulations made thereunder.

The Company has unlimited corporate capacity under Jersey law and the main activity of the Company is as described more fully in Part I of this Prospectus. The liability of the members of the Company is limited.

The Company has appointed the Administrator to provide certain back-office and administration functions (including company secretarial services), pursuant to an agreement with the Administrator dated 21 February 2012.

The Company has appointed the Registrar to provide registrar services in respect of the Company pursuant to an agreement dated 23 February 2012.

Since the date of its incorporation and as at the date of this Prospectus, the Company has not commenced any operations and has not published or made up any financial statements.

3. The Investment Manager

Invesco Asset Management Limited is the Investment Manager to the Company. The Investment Manager was incorporated in the UK on 7 March 1969 with the name Invesco Asset Management Limited with registered number 00949417. It is domiciled in the UK and its registered office is at 30 Finsbury Square, London EC2A 1AG. The telephone number of the Investment Manager is +44 20 7065 4000. The Investment Manager is a subsidiary of Invesco Ltd.

4. Share capital

The authorised issued and fully paid share capital of the Company as at the date of this Prospectus is as follows:

Authorised Number	Nominal Value	Issued and fully paid Number
Unlimited	Nil	2

The authorised issued and fully paid share capital of the Company immediately following Admission is expected to be as follows:

Authorised Number	Nominal Value	Issued and fully paid Number
Unlimited	Nil	up to 72,799,105

The Company was incorporated under the Law with authorised share capital represented by an unlimited number of ordinary shares of no par value. On incorporation, two ordinary shares of no par value were issued to the subscribers to the memorandum of association nil paid. Save in respect of these Shares, since incorporation there have been no changes in the issued share capital of the Company.

By a Special Resolution dated 22 February 2012 the Company resolved conditional upon, but to take effect immediately prior to, Admission to make market acquisitions (in accordance with article 57 of the Law) of fully paid Shares, provided that the maximum number of Shares authorised to be

purchased shall be 14.99 per cent of the Shares in issue immediately following Admission. Such purchases will only be made in accordance with: (a) the Listing Rules, which currently provide that the maximum price to be paid per Share must not be more than the higher of; (i) five per cent above the average of the mid market values of Shares for the five Business Days before the purchase is made; or (ii) the higher of the last independent trade or the highest current independent bid for Shares; and (b) Article 57 of the Law, which provides *inter alia*, that any buyback is subject to the Company passing the relevant solvency test contained in the Law at the relevant time. Such authority shall expire immediately prior to the holding of the first annual general meeting of the Company, unless such authority is varied, revoked or renewed prior to such date by a Special Resolution of the Company in general meeting.

On 21 February 2012, a Board resolution was passed to approve the allotment and issue of the Shares to be issued pursuant to the Issue, such shares to be allotted and issued at and conditional upon Admission.

There are no provisions under the Law which confer rights of pre-emption upon the issue or sale of any class of shares in the Company. Accordingly, the Articles contain pre-emption rights for Shareholders in relation to allotment of shares in consideration for cash. Further information in relation to such pre-emption rights and their disapplication can be found in the summary of the Articles at paragraph 5 below of this Part V. Pursuant to a Special Resolution of the subscribers to the Company's memorandum of incorporation dated 22 February 2012, it was resolved to disapply such pre-emption rights in relation to a number of Shares equal to 10 per cent of the Shares in issue immediately following Admission for a period concluding immediately prior to the first annual general meeting of the Company.

As a closed-ended company, Shares may not be issued at a price which is less than the Net Asset Value per Share at the time of such issue unless authorised by a majority of the Shareholders or offered first on a *pro rata* basis to Shareholders.

The Shares are in registered form and, from Admission, will be capable of being held in uncertificated form. Title to such Shares may be transferred by means of a computer system (as defined in the CREST Jersey Regulations). Where Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where Shares are held in CREST, the relevant CREST stock account of the registered members will be credited. The Registrar will maintain the register of members of the Company in Jersey.

Save as disclosed in this Prospectus:

- (a) no share or loan capital of the Company has been issued or is proposed to be issued;
- (b) no person has any preferential subscription rights for any share capital of the Company;
- (c) no share or loan capital of the Company is currently under option or agreed conditionally or unconditionally to be put under option;
- (d) there are no arrangements in place, as at the date of this Prospectus, under which future dividends are to be waived or agreed to be waived; and
- (e) no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company.

Other than pursuant to the Issue and save as disclosed in this paragraph 4, there is no present intention to issue any of the authorised but unissued share capital of the Company.

The Company does not have any Shares not representing capital and does not hold any shares in treasury. The Company has no outstanding convertible debt securities, exchangeable debt securities or debt securities with warrants.

The Company has the power to borrow, details of which are set out in paragraph 11 of Part I of this Prospectus and paragraph 5, sub-paragraph (p) of this Part V.

5. Summary of the memorandum of association and Articles

In accordance with the provisions of the Law, the capacity of the Company is not limited by anything in its memorandum of association or Articles, which do not contain a specific objects clause. The memorandum of association of the Company and the Articles are available for inspection at the addresses specified in paragraph 19 of this Part V.

The Articles were adopted conditional on Admission, pursuant to a written resolution passed as a Special Resolution on 22 February 2012 and contain provisions, *inter alia*, to the following effect:

(a) **Share capital**

Any share or class of shares in the Company may be authorised for issue with such preferred deferred or other special rights or such restrictions whether in regard to distribution, return of capital, voting or otherwise as the Company may from time to time by Ordinary Resolution determine.

The Company may from time to time subject to the provisions of the Law issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder.

The Company may purchase up to 14.99 per cent of any class of its own shares in any manner authorised by the Law and any other laws or regulation to which the Company is subject, and with and subject to all prior authorities of the Company in general meeting as specified under the Law.

(b) **Modification of rights**

Where there are in issue different classes of shares in the Company, the special rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated at any time with the consent in writing of the holders of at least three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a Special Resolution passed at a separate general meeting of the holders of shares of that class. To every such separate meeting all the provisions of the Law and the Articles relating to general meetings and to the proceedings shall *mutatis mutandis* apply except that the necessary quorum shall be two persons present holding at least one third in number of the issued shares of that class (excluding any shares of that class held as treasury shares) and at an adjourned meeting one person present holding shares of the class in question and that any holder of shares of that class present in person or by proxy may demand a poll.

(c) **Shares**

The Directors, subject to the Law and the Listing Rules, may issue an unlimited number of shares of no par value to such persons at such times and generally on such terms and conditions as they think proper.

(d) **Interests in Shares**

Power of the Company to investigate interests in shares

The Directors shall have power by notice in writing to require any 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.

If any member has been duly served with a notice given by the Directors and is in default for the prescribed period in supplying to the Company the information thereby required, then the Directors may serve a notice (a “**restriction notice**”) upon such member. A restriction notice may direct that the member shall not be entitled to vote at a general meeting or meeting of the holders of any class of shares of the Company or exercise any other right conferred by membership in relation to the meetings of the Company or holders of any class of shares. Where the default shares represent at least 0.25 per cent of the issued shares of that class, any distribution or other money which would otherwise be payable may be retained by the Company without any liability to pay any interest when the money is finally paid and transfers of default shares will be restricted.

(e) **Pre-emption rights**

There are no provisions of Jersey law which confer rights of pre-emption in respect of the allotment of Shares. However, the Articles provide that the Company is not permitted to allot (for cash) equity securities (being Shares or rights to subscribe for, or convert securities into, Shares), unless it shall first have offered to allot to each existing holder of Shares on the same or more favourable terms a proportion of those Shares which is as nearly as practicable equal

to the proportion of the total number of Shares in issue represented by the Shares held by such shareholder. These pre-emption rights may be excluded and disappplied or modified by Special Resolution of the Shareholders.

(f) Transfer of Shares

Subject to the Articles (and the restrictions on transfer contained therein), a Shareholder may transfer all or any of his Shares in any manner which is permitted by the Law or in any other manner which is from time to time approved by the Board.

A transfer of a certificated Share shall be in the usual common form or in any other form approved by the Board. An instrument of transfer of a certificated Share shall be signed by or on behalf of the transferor.

The Articles provide that the Board has power to implement such arrangements as it may, in its absolute discretion, think fit in order for any class of Shares to be admitted to settlement by means of the CREST system. If the Board implements any such arrangements, no provision of the Articles will apply or have effect to the extent that it is in any respect inconsistent with the holding of shares in uncertificated form.

Where any class of Shares is, for the time being, admitted to settlement by means of the CREST system such securities may be issued in uncertificated form in accordance with and subject to the CREST Jersey Regulations. Unless the Board otherwise determines, Shares held by the same holder or joint holders in certificated form and uncertificated form will be treated as separate holdings. Shares may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in such a manner as the Directors think fit in accordance with and subject to the CREST Jersey Regulations. Title to such of the Shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the CREST system.

The Board may, in its absolute discretion and without giving reason, refuse to register a transfer of any Share in certificated form or uncertificated form subject to the Articles which is not fully paid provided that, in the case of a Share, this would not prevent dealings in the Shares of that class from taking place on an open and proper basis on the London Stock Exchange.

In addition, the Board may decline to transfer, convert or register a transfer of any Share in certificated form:

- (i) if it is in respect of more than one class of Shares; or
- (ii) if applicable, if it is delivered for registration to the registered office of the Company or such other place as the Board may decide, not accompanied by the certificate for the Shares to which it relates or such other evidence of this title as the Board may reasonably require,

The Board may also decline to transfer, convert or register a transfer of any share if the transfer is in favour of any Restricted Person.

If any Shares are owned directly, indirectly or beneficially by a person believed by the Board to be a Restricted Person, the Board may give notice to such person requiring him either:

- (i) to provide the Board within a reasonable period of receipt of such notice with sufficient satisfactory documentary evidence to satisfy the Board that such person is not a Restricted Person; and/or
- (ii) to sell or transfer his Shares to a person who is not a Restricted Person within 14 days. Pending such sale or transfer, the Board may suspend the exercise of any rights to attend or vote at any general meeting of the Company.

For the purposes of a sale or transfer pursuant to condition (ii) the Directors may appoint any person to execute as transferor an instrument of transfer in favour of the transferee.

(g) General meetings

(i) Annual general meetings

The Company must hold an annual general meeting each year. The first annual general meeting shall be held within 18 months of the incorporation of the Company.

(ii) *Extraordinary general meetings*

The Directors may whenever they think fit convene an extraordinary general meeting. If at any time there are not within the Island of Jersey sufficient Directors of the Company capable of acting to hold a quorate meeting of the board of Directors, any Director or any member of the Company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

(h) **Proceedings at general meetings**

An annual general meeting shall be convened by not less than 21 day's notice and any other general meeting shall be convened by not less than 14 days' notice in writing.

Notice shall be given to such persons as are under the Articles entitled to receive such notices from the Company but the non receipt of the notice by any such persons shall not invalidate the proceedings at the meeting.

The notice must specify the place, the date and the time of the meeting and, in the case of any special business, the general nature of the business to be transacted.

No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Two persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a body corporate, shall constitute a quorum.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman or by at least five members having the right to vote on the question or by any member or members representing at least one tenth of the total voting rights of all members having a right to vote on the question or at least one tenth of the total sum paid upon all shares conferring that right.

(i) **Votes of members**

Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Shares, holders of Shares shall have the right to receive notice of and to attend and vote at general meetings of the Company.

Each Shareholder being present in person or by proxy or by a duly authorised representative (if a corporation) at a meeting shall upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by a duly authorised representative (if a corporation) shall, in the case of a separate class meeting, have one vote in respect of each Share held by him and, in the case of a general meeting of all Shareholders, have one vote in respect of each Share held by him.

(j) **Appointment, disqualification and removal of Directors**

A Director need not be a member of the Company. The Directors, shall have power at any time to appoint, subject to the Law, the Listing Rules and Prospectus Rules, any person to be a Director either to fill a casual vacancy or as an additional Director and the Company may by Ordinary Resolution appoint any person to office as a Director. The number of Directors (other than alternate directors) shall not be more than 12 nor less than three, of whom no less than half of the total number must be normally resident outside the United Kingdom.

Without prejudice to the provisions of the Articles relating to the removal of Directors, a Director shall retire in accordance with the following provisions:

- (i) at each annual general meeting of the Company any Director who has been appointed by the Directors since the previous annual general meeting of the Company and any Director selected to retire by rotation pursuant to (iv) below shall retire from office;
- (ii) at each annual general meeting of the Company each Director who has been a Director at the preceding two annual general meetings shall retire from office; and
- (iii) a retiring Director shall be eligible for re-appointment and (unless he is removed from office or his office is vacated in accordance with these articles) shall retain office until the close of the meeting at which he retires or (if earlier) when a resolution is passed at that

meeting not to fill the vacancy or to appoint another person in his place or the resolution to re-appoint him is put to the meeting and lost. There is no requirement under the Articles for a Director to retire on attaining a certain age.

(k) Alternate Directors

Any Director may at his discretion appoint either another Director or any other person approved by a resolution of the Directors to act as an alternate director in his place and may at his discretion remove from office an alternate director so appointed by him.

(l) Powers of Directors

The business of the Company shall be managed by the Directors who may exercise all such powers of the Company subject to the Law and the Articles of the Company

The Directors may, by power of attorney or otherwise, appoint any person to be the agent of the Company for such purposes and on such conditions as they determine, including authority for the agent to delegate all or any of his powers.

(m) Proceedings of Directors

Provided that the default location of the Directors' meetings is in Jersey, the Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit and may determine the quorum necessary for the transaction of business which in default of such determination shall be two directors, all of whom must be physically located outside of the United Kingdom. A person who holds office as an alternate director shall, if his appointer is not present, have one vote for every Director he represents in addition to his own vote (in any), but he shall count as only one Director for the purpose of making a quorum of Directors.

No meeting of the Directors shall be held in the UK and any decision reached or resolution passed by the Directors at any meeting which is held in the UK shall be invalid and of no effect.

Any Director may participate in a meeting of the Directors or in a committee thereof by means of a conference telephone or similar communications equipment and the Directors participating in this manner shall be deemed to be present in person at such meeting for all the purposes of the Articles provided that any such Director is not physically present in the UK at the time of any such meeting.

A Director may at any time (and the Secretary upon the request of a Director shall) convene a meeting of the Directors of the Company. Questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes the chairman shall have a second or casting vote.

The Directors may delegate any of their powers to any committee consisting of one or more Directors and (if thought fit) one or more other persons provided that the procedures above applicable to Board meetings must be complied with by such committee.

So long as the resolutions are signed outside the UK, a resolution in writing signed by a majority of the Directors for the time being entitled to receive notice of a meeting of the Directors, or by all the members of a committee, shall be as valid and effectual as if it had been passed at a meeting of the Directors.

The Directors shall be paid out of the funds of the Company their reasonable travelling and other expenses properly and necessarily expended by them in attending meetings of the Directors (or of committees appointed pursuant to the Articles) or members or otherwise on the affairs of the Company. They shall also be paid by way of remuneration for their services such sum as the Directors of the Company shall determine. If any of the Directors shall be appointed agent or perform extra services or make any special exertions for any of the purposes of the Company the Directors may remunerate such Director accordingly either by a fixed sum or by commission or participation in profits or otherwise as they think fit. Such remuneration may be either in addition to or substitution for his remuneration as set out above.

(n) **Directors' conflicts of interest**

A Director may be or become a Director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as member or otherwise and no such Director shall be accountable to the Company for any remuneration received by him as a Director or officer of or from his interests in such other company.

A Director who has directly or indirectly an interest in a transaction entered into or proposed to be entered into by the Company or by a subsidiary of the Company which to a material extent conflicts or may conflict with the interests of the Company and of which he has actual knowledge is required to disclose to the Company (by notice to the Directors) the nature and extent of his interest.

Save in respect of resolutions concerning certain limited matters, as set out in the Articles, a Director may not vote in respect of any such transaction and he shall not be capable of being counted towards the quorum at any meeting of the Directors of the Company at which any such transaction shall come before the Directors for consideration.

Subject to the provisions of the Law, a Director may hold any other office or place of profit under the Company, except that of Auditor, in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine.

(o) **Distributions**

The Company may pay distributions (whether in cash or otherwise) to members at any time provided that such distribution is made in accordance with and does not exceed any amount permitted by the Law. The amount of any such distribution shall, subject to the Articles and to the Law, be determined by the Directors, and shall not exceed the amount so determined, and shall be apportioned and paid *pro rata* to members according to the amount paid up on each share.

The Directors may set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall at their discretion be applicable for any purpose to which the profits of the Company may be properly applied and may be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit.

If a payment for a distribution or other sum payable in respect of a share sent by the Company to the person entitled to it in accordance with the Articles is left uncashed or is returned to the Company on two consecutive occasions or, after one occasion where, after reasonable enquiries, the Company is unable to establish any new address or, with respect to a payment to be made by a funds transfer system (including, without limitation, the relevant system), a new account for that person, the Company shall not be obliged to send any distributions or other sums payable in respect of that share to that person until he notifies the Company of an address or, where the payment is to be made by a funds transfer system (including, without limitation, the relevant system), details of the accounts to be used for the purpose.

(p) **Borrowing powers**

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future and uncalled capital or any part thereof and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party, subject to aggregate borrowings not exceeding the amount paid up on the issued share capital of the Company and the total capital and revenue reserves of the Company and its group. In any case, aggregate borrowings must not exceed 200 per cent of NAV without the prior approval of the JFSC.

(q) **Indemnity**

Every person who is or was a director or other officer of the Company may be indemnified by the Company against, the costs, charges, losses, liabilities, damages and expenses which any such person may incur in the course of the discharge by him of his duties provided that this indemnity shall not be applicable in circumstances where any such person has incurred such costs, charges, losses, liabilities, damages and expenses through his own fraud, wilful misconduct or gross negligence.

(r) **Untraced Shareholders**

Subject to the Law, and without affecting the ability of the Company to wind up in accordance with the Law, the Company shall be entitled to sell, at the best price reasonably obtainable at the time of sale, the Shares of a member or the Shares to which a person is entitled by transmission on death or bankruptcy if, during a period of 12 years at least three dividends in respect of those Shares have become payable and no dividend in respect of those Shares during that period has been claimed and within a further period of three months following the date of advertisements giving notice of its intention to sell such Shares placed after the expiry of the period of twelve years, the Company has not received any communication from such member or person.

(s) **Winding up**

Unless an Ordinary Resolution is passed at or before the annual general meeting in each year releasing the Directors from such an obligation, the Directors shall convene an extraordinary general meeting to be held within six months of the annual general meeting at which a resolution will be proposed to wind up the Company.

Subject to the claims of any secured creditors, to the provisions of any enactment as to preferential payments and the sanction of a Special Resolution, the Company's property shall on winding up be realised and applied in satisfaction of the Company's liabilities as determined by the liquidator.

6. Other directorships

In addition to their directorships of the Company, the Directors hold or have held the following directorships, and are or were members of the following partnerships, within the past five years preceding the date of this Prospectus.

<i>Director</i>	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
Clive Nicholson	Saffery Champness Rysaffe Nominees SC Financial Services Limited City Merchants High Yield Trust plc Anngate Limited The Film Development Partnership II LLP Saffery Champness Holdings Limited (Guernsey) Saffery Champness Limited (Guernsey) Saffery Champness Trust Corporation (Canada) Nexia International Limited (Isle of Man)	CMHYT plc Saffery Champness International Limited SC International. Ingenious Film Partners LLP Ingenious Film Partners 2 LLP
Winifred Robbins	City Merchants High Yield Trust plc The Solway Partnership Limited	
Philip Austin	3i Infrastructure plc Jordans Trust Company (Jersey) Ltd The Future Finance Group Royal London Asset Management, Channel Islands	C H Limited C N Limited Deepwater Limited Derard Limited EQ Corporate Services (Jersey) Limited EQ Executors and Trustees Limited E Q Holdings (Jersey) Limited E Q Trust (Jersey) Limited E Q Trust Holdings (Jersey) Limited EQ Nominees (Jersey) Limited EQ Secretaries (Jersey) Limited Equity Trust Company (Cayman) Limited Equity Trust (Jersey) Limited Equity Trust (Guernsey) Limited Equity Trust Group Services (Jersey)

Director

*Current directorships/
partnerships*

*Past directorships/
partnerships*

Limited
Equity Trust Services Limited
Fides Limited
J H Limited
J N Limited
3Q Marketing Services Limited
ABN AMRO Nominees (Jersey)
Limited
Alanrod Investments Limited
Alberton Limited
Alkantara Limited
Allalin Investments Limited
Antimer Company Limited
Araluen Limited
Arash Holdings Limited
Argyle Holdings Limited
Ariaz Yachting Company Limited
Atitlan Limited
Badawi Holdings Limited
Banner Holdings Limited
Bar-Mal Limited
Bavis Investments Limited
Beaker Ltd
Bedula Ltd
Bera Ltd
Bindrex Limited
Bonetti Limited
Boreas Investments Limited
Bravado Investments Limited
Broad River Limited
BSNI Limited
C.C. Licensing Limited
Capella Holdings Limited
Caribou Limited
Casa Bella Property Limited
CFR Consultants For Financial
Research Limited
Cherbourg Limited
Cherokee Bay Limited
Cherry Investments Limited
Cheswold Limited
Citri Limited
Commercial Interior Contracts Limited
Core Productions Limited
Crabtree Holdings Limited
Culverdale (No 1) Limited
Dals Investments Limited
Danmore Investments Ltd.
Danzen Limited
Daraydan Holdings Limited – Jersey
Dask Properties Limited
Dawnbound Limited
Dean Properties Limited
Deep Blue (Jersey) Limited
Dobbelmann Ventures Limited
Douetto Limited
Dudeen Holdings Limited
Duke Street Holdings Limited
Dunsel Investments Limited
Earrach Limited
Eclipse Investments Limited
Eester Limited

Director

*Current directorships/
partnerships*

*Past directorships/
partnerships*

Einen Holdings Limited
Ellestone Limited
Encore Distributors Limited
Enerchem Technical Services Limited
Eugenio Limited
FabrimeX Far East Ltd
Fashion Invention Investments Limited
Fedora Limited
Ferbane Limited
Fereydon Investments Limited
Fernbury Properties Limited
Fibauk Limited
Finton Investments Limited FortWarren Limited
Free Spirit Holdings Ltd.
Fusina Trust Company Limited
Georama Limited
Gold Stock Limited
Golden Moments Limited
Grace Investments Limited
Grassroots Investments Limited
Grayrigge Investments Limited
Green Start Limited
Haki Pension Limited
Handy Limited
Hayseed Limited
Heindru Investments Limited
Helko Ltd
High Marsh Holdings Limited
Hi-Hat Limited
Hiking Corporation Limited
Honey Place Limited
Husseiny Holdings (Jersey) Limited
Hydrangea Company Limited
Ikebana Limited
Invermar Limited
Jacobs Research Limited
Jaseur Holdings Limited
Jasper Limited
Jawaher Investment Company Limited
Jeropco Limited
Jowore Shipping Limited
Julia Investment Company Limited
Kaiser Overseas Company Limited
Kalahari Holdings Limited
Kex Ltd
Kilifi Holdings Limited
Kinnear Limited
Kipli Limited
KP Global Limited
KP Holding Limited
KP New Multi Limited
Lalandee Investments Company Limited
Latin Ltd
Lavender Investments Limited
Legazpi Ltd
Leishouse Finance Limited
Leofric Manor Properties Limited
Lobos Limited
Lochy Holdings Limited
Locksley Limited
Lyall Street Properties Ltd

Director

*Current directorships/
partnerships*

*Past directorships/
partnerships*

Malvern Enterprises Limited
Manibhai Limited
Mardood Holdings Limited
Marenka Holdings Limited
Markwell Limited
Marlin Holdings Limited
Marsh Investments Limited
Mashel Investments Limited
MCorp Limited
Melling Investments Limited
Metheringham Limited
Mina Holdings Limited
Monro Company Limited
Moystons Limited
Multiformula Limited
Mysorock Limited
Nagueles Limited
Nama Ltd
Natvel Holdings Limited
Northchurch Limited
Omsk Limited
Ostaria Limited
Pagham Holdings Limited
Pall Mall Capital Holdings Limited
PCC Overseas Limited
Petrouna Limited
Petunia Properties Limited
PHI Holdings Limited
Priess Investment Company Ltd
R2R Lucice Limited
R2R Sveti Stefan Limited
Rainy Lake Limited
Reas Property Holdings Limited
Red Dash Limited
Renak Limited
Roxtone Investments Limited
S.A.H Investment Company Limited
Sailsbury Holdings Limited
Saleel Holdings Limited
Saltdean Trading Limited
Samat Holdings Limited
Samhradh Limited
Shebba Investments Limited
Sheena Properties Limited
Silecroft Limited
Silhouette Limited
Silver Stock Limited
Silver Sun Holdings Limited
Simona Limited
Sirma Limited
Smallville Limited
Somara Investments Limited
Sugemar Limited
Summertown Holdings Limited
Sun And Seas Properties Limited
Sundeani Holdings Limited
Sunseeker Holdings Limited
Syspro Europe Limited
Syspro Limited
Tazkiya Limited
Technique Moto Course Internationale
Limited

<i>Director</i>	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
		Terbury Limited Tesu Cruising Limited The Jubilee Place Company Limited Thormar Ltd Tina Land Limited Tisza Agriculture Ltd Toboros Holding Limited Toller Limited Toulouse Limited Tropical Fisheries Limited Tush Limited Tyr Investments Ltd Uni Investments Limited Valbella Limited Vas Resources Limited Verofrelo Limited Vertis Asset Management Limited Vertis Capital Partners Limited Vertis Limited Vida De Sol Limited Viewfield Holdings (Jersey) Limited Vishnu Investments Limited Voyant Limited Waterlane Limited Wendale Limited Westshire Limited Whirlwind Limited Xindu Limited Yachts and Racing Limited Zehar Holdings Limited
John Boothman	Acorn Income Fund Limited Altor Group Aquarine Limited Armelle Limited Aztec Group Jersey International Business School Limited Jersey Old Motor Club Limited Jersey Telecom Group Lyxor Group NG Jersey Limited National Grid Jersey Holdings Five Limited Red Label Investments Limited Wellington Group Lloyds TSB Foundation	Deutsche Bank Offshore
Philip Taylor	Hawksford Holdings Limited Hawksford Trust Company Jersey Limited Royal Bank of Scotland International Holdings Limited Royal Bank of Scotland International Limited 1887 Vincent Square Limited Demajo Investments Limited Pont Marquet Investments Limited Pont Marquet RAC Limited Jersey International Business School Limited	PricewaterhouseCoopers CI LLP

Save for those directorships and partnerships listed above, none of the Directors has in the five years preceding the date of this Prospectus been a director or a member of the administrative or supervisory body of any company or a partner in any partnership.

There are no actual or potential conflicts of interest between the duties of the Directors to the Company and their respective private interests or other duties.

None of the Directors has in the previous five years preceding the date of this Prospectus:

- (a) any convictions in relation to fraudulent offences;
- (b) been a director or member of the administrative, management or supervisory body of a company or a senior manager of any company at the time of any bankruptcy, receivership or liquidation; or
- (c) received any official public reprimand and/or sanctions by any statutory or regulatory authority (including designated professional bodies), or been disqualified by a court from acting as a director of a company or as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

7. Directors' and other interests

As at close of business on 21 February 2012 (being the latest practicable date prior to publication of this Prospectus), the Directors (including their immediate families) and persons connected with the Directors (within the meaning of section 252 of the Companies Act), have or will have, immediately following Admission, directly or indirectly, the following interests (whether beneficial or non-beneficial, actual or contingent) in the Shares:

Name of Director/ Shareholder	Number of CMHYT Shares currently held	Number of Shares to be held immediately following Admission
Clive Nicholson	49,500	49,500
Winifred Robbins	62,631	62,631

No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.

None of the Directors has, or has had, an interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or which has been effected by the Company since its incorporation.

As at close of business on 21 February 2012 (being the latest practicable date prior to publication of this Prospectus) the Directors were aware of the following persons who directly or indirectly will, following Admission, be interested in five per cent or more of the Company's issued share capital due to the fact that they currently hold five per cent or more of the issued share capital of CMHYT:

Name of Shareholder	Number of CMHYT Shares	Percentage of voting rights in CMHYT
Invesco Perpetual	7,101,392	9.75
Charles Stanley, stockbrokers	4,270,253	5.87
Brewin Dolphin, stockbrokers	3,774,275	5.18

The Company is not aware of any person who directly or indirectly, jointly or severally, exercises or, immediately following the Issue, could exercise control over the Company.

The Company is not aware of any arrangements where operation may at a subsequent date result in a change of control of the Company.

None of the Shareholders referred to in this paragraph 7, will on Admission, have voting rights attached to the Shares they hold, different to the voting rights attached to other Shares in the Company.

8. Terms of Directors' appointment

The aggregate remuneration and benefits in kind of the Directors in respect of the Company's accounting period ending on 31 December 2012, which will be payable out of the assets of the Company, is not expected to exceed £107,500.

In addition to the remuneration mentioned above, each Director is also entitled to reimbursement by the Company of reasonable expenses incurred by them in the proper performance of their duties.

There are no commission or profit sharing arrangements between the Company and the Directors. Similarly, none of the Directors is entitled to pension or retirement benefits, nor are there any proposed service agreements between any Director and the Company or any member of the Group providing for benefits upon termination of employment.

No Director has a service contract with the Company, nor are any such contracts proposed. The Directors were appointed as non-executive directors on incorporation of the Company and entered into appointment letters to record the terms of their appointments on 21 February 2012 which state that their appointment and any subsequent termination or retirement shall be subject to three months' notice from either party and otherwise to the Articles. The Directors' appointments can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for six months or more; and (c) written request of the other Directors. Each Director is entitled to an annual fee of £19,000, save for the Chairman who is entitled to an annual fee of £28,500 and the chairman of the audit committee who is entitled to an annual fee of £22,000. Copies of the Directors' letters of appointment are available for inspection at the address specified in paragraph 19 of this Part V.

The Company has put in place directors' and officers' liability insurance on behalf of the Directors at the expense of the Company and the Company has entered into indemnity arrangements with the Directors to the extent permitted by law.

9. Mandatory bid, squeeze-out and sell-out rules

9.1 *Mandatory bid*

The Takeover Code is issued and administered by the Panel. The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Takeovers Directive. Following the implementation of the Takeovers Directive, the rules set out in the Takeover Code which are derived from the Takeovers Directive now have a statutory basis.

The Takeover 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 or on any stock exchange in the Channel Islands or the Isle of Man. The Takeover Code therefore applies to the Company.

Under Rule 9 of the Takeover Code, where (a) any 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 persons acting in concert with him are interested) carries 30 per cent or more of the voting rights of a company subject to the Takeover Code, or (b) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent but not more than 50 per cent of the voting rights of such a company, if such person, or any person acting in concert with him acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, then, except with the consent of the Panel, he, and any person acting in concert with him, must make a general offer in cash to the other shareholders to acquire the balance of the shares not held by him and his concert parties.

An offer under Rule 9 of the Takeover Code must be in cash and at the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

9.2 *Squeeze out rules*

Under the Law, if a person who has made a general offer to acquire shares in the Company (the "offeror") were to acquire, or contract to acquire, 90 per cent of the shares which are the subject of such offer within four months of making its 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 shares and then, six weeks later, executing a transfer of the outstanding 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 shares are compulsorily acquired under the Law must, in general, be the same as the consideration that was available under the general offer.

9.3 *Sell-out rules*

The Law gives minority shareholders a right to be bought out in certain circumstances by a person who has made a general offer for the Shares. 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 shares in the Company, any holder of the 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 shares.

The offeror is required to give each shareholder notice of his 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 his rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

Other than as provided in the Takeover Code and the Law (as described in this paragraph 9), there are no rules or provisions relating to mandatory takeover bids in relation to the Shares and there are no rules or provisions relating to squeeze-out and/or sell-out rules relating to the Shares.

There has been no public takeover bid by a third party for all or part of any of the Company's share capital since incorporation of the Company for a period up to and including the date immediately prior to the date of this Prospectus.

10. Listing Rules restrictions

The Company will comply with the investment restrictions and requirements imposed by the Listing Rules from time to time. As at the date of this Prospectus, the Listing Rules requirements include that the Company:

- must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and is in accordance with the Investment Policy;
- must not conduct any trading activity which is significant in the context of the Group as a whole; and
- may not invest more than 10 per cent, in aggregate, of the value of the Group's total assets in other listed closed-ended investment funds (at the time the relevant investment is made), except where those funds have published investment policies to invest no more than 15 per cent of their total assets in other listed closed-ended investment funds.

The Listing Rules may be amended or replaced over time. To the extent that any of the above investment restrictions are no longer imposed under the Listing Rules, those restrictions will no longer apply to the Company.

11. Taxation

The United Kingdom

The following is a general summary of the views of the company's advisers as to the UK taxation treatment of the Company and of certain Shareholders in relation to their acquisition, holding and disposal of Shares in the Company. It is based on existing law, including statutes, regulations, administrative rulings and court decisions, and what is understood to be current HM Revenue & Customs practice, all as at the date of this document. Future legislative, judicial or administrative changes or interpretations could alter or modify statements and conclusions set forth below and these changes or interpretations could be retroactive and could affect the tax consequences of the Offer or the treatment of any acquisition, holding or disposal of Shares for Shareholders. This summary does not consider the consequences of the Scheme or the treatment of any acquisition, holding or disposal of Shares in any other country.

This summary provides general guidance only to persons who are resident, ordinarily resident and domiciled for tax purposes in the UK and who hold their Shares beneficially and as an investment. It does not apply to particular classes of Shareholder, such as Shareholders who are taxable in the UK on a remittance basis or who are subject to special tax rules such as banks, financial institutions, broker-dealers, persons subject to mark-to-market treatment, UK resident individuals who hold their Shares under a personal equity plan or an ISA, persons who receive their Shares by exercising employee share

options or otherwise as compensation or persons who have acquired or who are deemed to have acquired their Shares by virtue of any office or employment.

This summary is not intended to provide specific advice and no action should be taken or omitted to be taken in reliance upon it. If you are in any doubt about your taxation position or if you are ordinarily resident or domiciled outside the UK or resident or otherwise subject to taxation in a jurisdiction outside the UK, you should consult your own professional advisers immediately.

The Company

The Directors intend to conduct the affairs of the Company in such a way that it should not be regarded as resident in the UK for UK tax purposes. Accordingly, and provided that the Company does not carry on a trade in the UK (whether or not through a branch, agency or permanent establishment situated therein), the Company should not be subject to UK income tax or corporation tax other than in respect of any UK source income.

UK offshore fund rules

The Company will not be an “offshore fund” for the purposes of UK taxation and the legislation contained in Part 8 of the Taxation (International and Other Provisions) Act 2010 will not apply.

Dividends

(a) The Company

The Company will not be required to deduct or withhold any amount in respect of UK tax from any dividends or other distributions it makes.

(b) Shareholders

An individual Shareholder who is resident in the UK for tax purposes will be liable to UK income tax in respect of dividends. Such a Shareholder will generally be entitled to a tax credit in respect of any dividend received, currently at the rate of one ninth of the cash dividend paid (or 10 per cent of the aggregate of the net dividend and the related tax credit) provided that his holding (as defined) represents less than ten per cent of the Company’s issued share capital. For example, on a dividend received of £90, the tax credit would be £10, and such a Shareholder would be liable to income tax on £100.

Where a tax credit is available:

- (i)* no further income tax would be payable in respect of a dividend received by a UK resident individual who, because his total income does not exceed the basic rate limit, is liable to income tax only at the dividend ordinary rate of 10 per cent;
- (ii)* UK resident individuals who are subject to tax at the higher rate are subject to tax on dividends at the dividend upper rate (currently 32.5 per cent), but are entitled to offset the 10 per cent tax credit against such liability. For example, on a dividend received of £90 such a taxpayer would have to pay additional tax of £22.50 (representing 32.5 per cent of the gross dividend less the 10 per cent credit) which is an effective rate of income tax of 25 per cent on the net dividend. UK resident individuals who receive taxable income in excess of £150,000 are subject to tax on dividends at the dividend additional rate (currently 42.5 per cent), but are entitled to offset the 10 per cent tax credit against their liability. For example, on a dividend received of £90, such a taxpayer would have to pay additional tax of £32.50 (representing 42.5 per cent of the gross dividend less the 10 per cent tax credit) which is an effective rate of income tax of 36.11 per cent on the net dividend. For this purpose dividends are treated as the top slice of an individual’s income.

No repayment of the dividend tax credit in respect of dividends paid by the Company can be claimed by UK resident Shareholders (including pension funds and charities).

Shareholders that are bodies corporate resident in the UK for tax purposes may be able to rely on the exemptions for certain classes of dividends in Part 9A of the Corporation Tax Act 2009.

(c) Scrip dividends

Shareholders resident in the UK for tax purposes who elect to receive a scrip dividend alternative to any cash dividend declared by the Company will generally not be subject to income tax or corporation tax on income in respect of any bonus shares issued pursuant to the scrip dividend alternative.

(d) Offshore funds

As set out above, in the opinion of the Company's advisers the Company will not be an offshore fund for UK tax purposes. If, however, the Company did constitute an offshore fund (and on the basis that the Company's investments will be primarily in fixed-interest securities), it is likely that:

- (i) individual Shareholders would be subject to income tax on any dividends or other income distributions from the Company as if they were interest, at a rate of 20 per cent for basic rate taxpayers, 40 per cent for higher rate taxpayers and 50 per cent for additional rate taxpayers, with no notional tax credit. Such shareholders would also be subject to income tax on any gains realised in respect of a disposal of their shares; and
- (ii) corporate Shareholders would be subject to corporation tax in respect of their shareholding in the Company as if it were a loan relationship.

Tax on chargeable gains

(a) General

A disposal or deemed disposal of Shares (which will include a redemption) by a Shareholder who is resident or, in the case of an individual, ordinarily resident in the UK for UK tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains, depending on the Shareholder's circumstances and subject to any available exemption or relief.

For individual Shareholders, capital gains tax at the rate of 18 per cent (for basic rate taxpayers) or 28 per cent (for higher or additional rate taxpayers) will generally be payable on any gain. Individuals may, however, benefit from certain reliefs and allowances (including a personal annual exemption allowance of £10,600 in 2011/12) depending on their circumstances.

Shareholders subject to UK corporation tax will generally be subject to UK corporation tax on a chargeable gain arising from a disposal, subject to any available reliefs (such as any indexation allowance).

(b) Scrip dividends

Shareholders resident in the UK for tax purposes who elect to receive a scrip dividend ("**Bonus Shares**") as an alternative to any cash dividend declared by the Company should not be treated as making a disposal for the purposes of UK taxation of chargeable gains at the time that such Bonus Shares are issued. Instead, the issue of Bonus Shares should be treated as a reorganisation of the share capital of the Company and accordingly the Bonus Shares and the original holding of Shares held by the Shareholder should be treated as the same asset, acquired at the same time and for the same chargeable gains tax base cost as the original holding of Shares. There will therefore be no uplift in the base cost of the Shareholder's holding in respect of the issue of Bonus Shares.

*Stamp duty and stamp duty reserve tax ("**SDRT**")*

It is not proposed that any register in respect of the Shares is or will be kept in the UK and accordingly:

- (a) no stamp duty or SDRT will be payable on the issue of the Shares under the Offer;
- (b) no SDRT will be payable on any subsequent agreement to transfer any Shares; and
- (c) no stamp duty will generally be payable in connection with any transfer of Shares provided that any instrument of transfer is executed and retained outside the United Kingdom and does not relate to any matter or thing done, or to be done, in the UK.

ISAs and SSAS/SIPPs

Investors resident in the UK who are considering acquiring Shares are recommended to consult their own tax and/or investment advisers in relation to the eligibility of the Shares for ISAs and SSAS/SIPPs.

Shares in the Company will be eligible for inclusion in an ISA.

The Shares should be eligible for inclusion in a SSAS or SIPP, subject to the discretion of the trustees of the SSAS or SIPP as the case may be.

Other UK tax considerations

(a) Controlled foreign companies (“CFCs”)

The attention of UK resident corporate Shareholders who would alone or together with connected or associated persons have apportioned to them 25 per cent or more of the Company’s chargeable profits for an accounting period, is drawn to the provisions of Chapter IV of Part XVII of the Income and Corporation Taxes Act 1988 relating to CFCs, which may potentially apply if a majority of the Shares in the Company is owned, or the Company is otherwise controlled or deemed to be controlled, by UK resident Shareholders.

(b) Transfer of assets abroad

Individuals ordinarily resident in the UK are advised that Chapter II of Part XVIII of the Income Tax Act 2007, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad, may in some circumstances render them liable to taxation in respect of income of the Company.

(c) Close company provisions

The attention of Shareholders resident or ordinary resident in the UK is drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, chargeable gains made by the Company or any subsidiary of the Company may be attributed to a Shareholder (in proportion to his holding) who holds, alone or together with connected persons, Shares which entitle him to more than 10 per cent of any such gains.

(d) Transaction in securities

Shareholders should be aware that anti-avoidance legislation in Chapter 1, Part 13 of the Income Tax Act 2007 and Part 15 of the Corporation Tax Act 2010 could apply to Shareholders in certain prescribed circumstances if they are seeking to obtain a tax advantage in respect of any transaction in their Shares.

Jersey

The information given is not exhaustive and does not constitute legal or tax advice. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, switching or disposing of Shares under the laws of the jurisdictions in which they may be subject to tax.

The summary below is based on current law and practice in Jersey and is subject to changes therein. The information should not be regarded as legal or tax advice.

The Company

As a collective investment fund under the Collective Investment Funds (Jersey) Law 1988, the Company is zero rated for tax in Jersey and, accordingly, will not be liable to any Jersey tax on its income or gains.

The Company is registered as an International Services Entity under the Goods and Services Tax (Jersey) Law 2007 and, provided that it continues to qualify as such an entity, any supply of goods or services to or by the Company shall be treated as a non-taxable supply.

Shareholders

Shareholders who are not resident for income tax purposes in Jersey are not subject to taxation in Jersey in respect of any income or gains arising in respect of Shares held by them. Shareholders who are resident for income tax purposes in Jersey will be subject to income tax in Jersey on any income distributions paid on Shares held by them or on their behalf and income tax will be deducted by the Company on payment of any such distributions.

The provisions of Article 134A of the Income Tax (Jersey) Law 1961 may, in certain circumstances, render investors who are resident in Jersey liable to income tax on the undistributed income of the Company.

No duties are payable in Jersey on the issue, conversion, redemption or transfer of Shares. Stamp duty is payable at a rate up to approximately 0.75 per cent of the value of the Shares on the registration of Jersey probate or letters of administration which may be required in order to transfer, convert, redeem or make payments in respect of, Shares held by a deceased individual sole Shareholder. There is no capital gains tax, estate duty or inheritance tax in Jersey.

Jersey is not subject to the EU Council Directive (2003/48) on the Taxation of Savings Income (the “**EU Savings Tax Directive**”). However, in keeping with Jersey’s policy of constructive international engagement and in line with steps taken by other relevant third countries, the States of Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey (the terms “beneficial owner” and “paying agent” are defined in the EU Savings Tax Directive). The retention tax system will apply for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. The transitional period will end only after all EU Member States apply automatic exchange of information and the EU Member States unanimously agree that the United States of America has committed to exchange of information upon request. During this transitional period, such an individual beneficial owner resident in an EU Member State is entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system and the disclosure arrangements are implemented in Jersey by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey.

Based on these provisions and the current practice of the Jersey tax authorities, distributions to Shareholders in respect of Shares and income realised by Shareholders upon the sale, or redemption of Shares do not constitute interest payments for the purposes of the retention tax system and therefore neither the Company nor any paying agent appointed by them in Jersey is obliged to levy retention tax in Jersey under these provisions in respect of such payments. However, the retention tax system could apply in the event that an individual resident in an EU Member State, otherwise receives an interest payment in respect of a debt claim (if any) owed by the Company to that individual. Accordingly the Directors intend to manage the Company in such a way as not to incur debt claims from such individuals that would require the making of interest payments to them.

Application of New U.S. Tax Reporting and Withholding Law

Introduction

It is possible that a recently enacted US tax law, commonly known as the Foreign Account Tax Compliance Act (“**FATCA**”), may compel the Company, any agent or broker through which a Shareholder purchases its Shares, or any nominee or other entity through which a Shareholder holds its Shares (any such agent, broker, nominee or other entity, an “**Intermediary**”) to subject the Shares held by some Shareholders to a forced sale. It is also possible that FATCA could impose a withholding tax of up to 30 per cent on payments on Shares, including proceeds of sales and redemptions of Shares, made to Recalcitrant Shareholders (as defined below) on or after 1 January 2014, depending on the particular circumstances of the Company, the Shares, the Shareholders and beneficial owners thereof and the Intermediaries through which the Shareholder purchases, sells or holds the Shares (although any such withholding may not be material). The determination of whether the Company (or any such Intermediary) expects to have to withhold on payments to Shareholders will depend not only on whether any such Shareholder is a Recalcitrant Shareholder, but also on the particular assets that the Company purchases. Even if the Company does not purchase any securities or other US assets, if it enters into the FATCA-related IRS Agreement (as defined below), it may nevertheless have to withhold on payments to Recalcitrant Shareholders if it owns assets in other foreign financial institutions (“**FFIs**”) that own (or are deemed to own) US assets.

General Reporting Requirements and Forced Sale under FATCA

Broadly, FATCA is likely to effectively require the Company to enter into an agreement with the US Internal Revenue Service (the “**IRS**”) (an “**IRS Agreement**”) under which it will be required to (or effectively require the Intermediary through which Shares are purchased or held, to) among other things, provide certain information to the IRS about its direct and indirect US Shareholders. In order to provide such information, however, the Company (or the Intermediaries) will be obliged to obtain information from all of the Shareholders (not just from the US Shareholders) because unless the non-US Shareholders are identified, it will not be possible to properly identify (by matter of elimination) the direct and indirect US Shareholders.

Accordingly, the Company expects (or expects the applicable Intermediary) to require each (i) Non-US Shareholder to provide documentation that it is not a US person and (ii) US Shareholder to

provide its name, address and taxpayer identification number. If a Shareholder is a non-US entity or otherwise not the beneficial owner of the Shares, such Shareholder will generally be required to provide certain information about its owners (or beneficial owners) in order to enable the Company to identify and report on certain of such Shareholder's direct and indirect US beneficial owners. Although certain exceptions to these disclosure requirements could apply, each Shareholder should assume that the failure to provide the required information generally will compel the Company to force the sale of such Shareholder's Shares (and such sale could be for less than their then fair market value).

If the Shares are "regularly traded on an established securities market" the Company will be exempt from the reporting and, other than with respect to non-participating FFIs (as defined below), withholding obligations in respect of the Shares (and so presumably will any Intermediary through which the Shares are purchased or held). Equity interests are considered regularly traded on an established securities market if trades in such interests are effected, other than in *de minimis* quantities, on such market on at least 60 days during the prior year, and the aggregate number of such interests that are traded on such market or markets during the prior year is at least ten percent of the average number of such interests outstanding during the prior year. The London Stock Exchange's Main Market may qualify as an established securities market. However, the Company (or the applicable Intermediary) would still be required to withhold on payments to certain foreign financial entities that do not enter into an IRS Agreement (a "**non-participating FFI**"). Accordingly, it appears that the Company (and any applicable Intermediary) will still need to know who the holders of Shares are, in order to determine whether any such Shareholder is a non-participating FFI. The Company (and presumably any applicable Intermediary) is unable to determine whether the Shares qualify for this exception.

Potential Withholding and Forced Sale Under FATCA

In addition, if a Shareholder does not comply with the Company's (or, if applicable an Intermediary's) request either for information described above or to waive any applicable law prohibiting the Company (or such Intermediary) from providing such information to the IRS or if a Shareholder is a non-participating FFI (such Shareholder, a "**Recalcitrant Shareholder**"), the Company (or such Intermediary) may be required under the IRS Agreement to impose a potentially non-refundable 30 per cent US withholding tax on certain payments (including proceeds of sales or redemptions of Shares) made to such Shareholder.

The amount of any payment subject to the withholding tax will be equal to (i) the amount (if any) of the payment that is treated as US source income (as defined below) plus (ii) effective January 1, 2017, a portion of the remaining amount of the payment generally equal to the ratio of the Company's average US assets to its average total assets as of specified testing dates. For purposes of this determination, the IRS may utilize a broad definition of US assets, which may include, without limitation, a percentage of an interest in certain foreign financial institutions. US source income includes US source interest, US source dividends, or other US source periodic income, and proceeds from the sale of assets of a type that can produce US source interest or US source dividends. In addition, obligations of non-US entities engaged in a US trade or business and obligations of entities pursuant to certain hedges entered into with the Company, could be deemed to be US assets. However, in general, obligations (other than equities and certain debt obligations lacking a definitive term that are outstanding on or before 1 January 2013 and that are not (i) modified after 1 January 2013 and (ii) treated as reissued for US federal income tax purposes, will not be treated as US assets.

If the Company is required, pursuant to its IRS Agreement, to withhold on payments to any Recalcitrant Shareholder, it is possible that any withholding that should otherwise be allocable to such Recalcitrant Shareholder may be disproportionately allocable to all Shareholders. The disproportionate allocation may result from the Company having less cash to pay Shareholders generally. The Company may have less cash to pay Shareholders generally if the Company is unable to fulfil its obligation to withhold on its Recalcitrant Shareholders and, in accordance with its IRS Agreement, instructs its withholding agents to withhold on payments to it that are deemed to be allocated to payments made by the Company to its Recalcitrant Shareholders.

If any withholding is imposed pursuant to the IRS Agreement on payments to Recalcitrant Shareholders, the Company (and any agent or broker) is under no obligation to gross up such payments. In addition, as part of complying with the US reporting requirements under FATCA, it may be necessary for the Company (or such Intermediary) to agree in its IRS Agreement to "close out" any Shareholder that fails to respond to reasonable requests for information that will enable the

Company (or such Intermediary) to comply with its reporting requirements. If the Company (or such Intermediary) does “close out” any Shareholder’s interest, it may do so by causing the sale or early redemption of the Shareholder’s Shares.

Further, to the extent that the Company owns US assets as Portfolio assets, payments to the Company including gross proceeds made on or after 1 January 2014 could be subject to a 30 per cent non-refundable withholding tax if the Company fails to enter into an (or is in violation of its) IRS Agreement. Payments subject to withholding tax would include, among other things, US source income and certain gross proceeds.

If the Company chooses not to enter into an IRS Agreement, that decision could preclude certain of its FFI affiliates from entering into such an agreement. Shareholders should consider whether an investment in the Company could cause investments in other entities to be treated as FFI affiliates under FATCA.

Uncertain Application

The full extent of FATCA’s application to the Company (or any intermediary) is currently uncertain. No assurance can be given that the Company (or any Intermediary) will be able to take all necessary actions or that actions taken will be successful to minimise the new forced sale provision or the new withholding tax. Each potential purchaser of Shares should consult its own tax advisor to determine how FATCA might affect such investor in its particular circumstances.

12. Material contracts

12.1 The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by any member of the Group since the date of incorporation of the Company and: (a) are, or may be, material to it as at the date of this Prospectus; or (b) contain provisions under which the Company or any member of the Group has any obligation or entitlement which is material to it as at the date of this Prospectus.

(a) Investment Management Agreement

The Investment Management Agreement between the Company and the Investment Manager dated 23 February 2012 pursuant to which the Investment Manager has agreed to provide investment advisory and management services to the Company and manage the investments of the Company in accordance with the Investment Policy and pursuant to which the Investment Manager will provide limited administration services to the Company.

In consideration for the investment management services provided to the Company by the Investment Manager the Investment Manager will receive a management fee, payable quarterly in arrear equal to 0.18575 per cent of the value of the Company’s total assets under management less current liabilities at the end of the relevant quarter. In consideration for the limited administration services provided to the Company the Investment Manager will receive a fee of £22,500 per annum. The fee for administration services may be adjusted on a yearly basis to take account of inflation.

The Investment Management Agreement is terminable by either party giving to the other not less than three months’ written notice and may be terminated by either party immediately in the event of continuing material breach of the agreement by, or the insolvency of, the other party. Termination shall be without prejudice to the completion of any transactions already initiated. Termination by notice shall be without any penalty or other additional payment save that the Company shall be obliged to pay the accrued contractual fees and charges due to the Investment Manager and any reasonable expenses of the Investment Manager. In certain circumstances the Investment Manager is entitled to payment in lieu of notice.

Termination by the Investment Manager in the event of a continuing material breach or the insolvency of the Company, or termination by the Company in breach of the terms of the agreement shall give rise to an additional payment being due to the Investment Manager.

The warranties and indemnities given by the Company pursuant to the terms of the Investment Management Agreement are usual for an agreement of this nature.

The Investment Management Agreement is governed by the laws of England.

(b) **Administration Agreement**

An Administration Agreement, dated 21 February 2012, between the Company and the Administrator whereby the Administrator has been appointed to provide certain administration and secretarial services to the Company.

In consideration for its services and in addition to set up fees of £5,000, the Administrator will receive an administration fee of £37,500 per annum.

The Administration Agreement is terminable by either party giving not less than three months' notice in writing and in certain other circumstances, including material breach of the terms of the agreement by either party. The agreement may be terminated immediately where:

- (i) either party breaches the terms of the Administration Agreement and such breach is incapable of remedy within 30 days; or
- (ii) either party commences liquidation proceedings except voluntary liquidation for the purposes of reconstruction.

Upon termination, the Administrator will be entitled to receive all fees accrued to the date of termination but is not entitled to compensation in respect of such termination.

The warranties and indemnities given by the Company pursuant to the terms of the Administration Agreement are customary for an agreement of this nature.

(c) **Master Services Agreement**

Pursuant to the master services agreement dated 23 December 2008 between the Investment Manager and the Custodian and a notice dated 21 February 2012 from the Investment Manager to the Custodian, the Custodian has been appointed to act as custodian in relation to the cash and securities of the Company and to provide, *inter alia*, the following services: holding cash and securities of the Company; receiving and delivering securities, cash and distributions; settling the purchase and sale of securities transactions; receiving all payments of principal and distributions in respect of all securities, cash and distributions; exchanging and surrendering securities and providing statements of account and other services typical of a custodian to an investment company. Under the agreement, the Company has agreed to indemnify the Custodian against any and all direct losses incurred by the Custodian arising in connection with the provision of the custody services and provided that such indemnity shall be enforceable only to the extent that the direct losses do not result from fraud, wilful default, negligence or breach of the agreement by the Custodian. The Custodian has agreed to indemnify the Company fully and effectively against any and all direct losses incurred by the Company from any breach by the Custodian provided that such indemnity shall be enforceable only to the extent that the direct losses do not result from fraud, wilful default, negligence or breach of the agreement by the Company. The agreement may be terminated by the Company on twelve months' written notice, such notice not to expire before the end of a period of five years from 1 October 2009 (the "**Initial Term**") and by the Custodian on 18 months' written notice, such notice not to expire before the end of the Initial Term.

(d) **Registrar Agreement**

A Registrar Agreement dated 23 February 2012 between the Company and the Registrar pursuant to which the Registrar has agreed to provide registrar services in respect of the Company. The Registrar receives a fixed annual fee of £21,200 for the first three years it provides services to the Company. In the third year, the annual fee may be adjusted to take account of inflation. Other registrar services will be charged for in accordance with the fee schedule to the Registrar Agreement, as amended from time to time, and the Registrar's tariff as published from time to time. The agreement is for an initial term of three years and will automatically renew for successive periods of 12 months thereafter. The agreement is terminable by either party on not less than six months' notice, not to expire earlier than the expiry of the initial term or of the relevant 12 month period thereafter, or earlier in the event of breach or if the parties cannot reach agreement on any increase in fees.

- 12.2 The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by CMHYT within the two years immediately preceding the publication of this Prospectus and (a) are, or may be, material to CMHYT as at the date of this Prospectus; or (b) contain provisions under which CMHYT has any obligation or entitlement which is material to it as at the date of this Prospectus.

(a) **Management and Administration Agreements**

Pursuant to an investment management agreement (the “**CMHYT Management Agreement**”) entered into between the Investment Manager and CMHYT dated 21 November 2005 and as amended on 12 November 2009, the Investment Manager acts as investment manager to CMHYT. CMHYT and the Investment Manager can each terminate the CMHYT Management Agreement on giving no less than three months’ prior written notice to the other. The CMHYT Management Agreement may be terminated immediately by notice in certain specified situations relating to the solvency of either party or when either party is in material breach of the agreement. The management fee is payable quarterly in arrear and is equal to 0.1875 per cent of the value of CMHYT’s total assets under management less current liabilities at the end of the relevant quarter.

The Investment Manager acts as secretary to CMHYT under an agreement dated 21 November 2005 terminable at any time by either party giving no less than three months’ notice. The fee is payable quarterly in arrear at the initial rate of £50,000 (plus VAT) per annum for the provision of general secretarial and administrative services. The fee is automatically increased with effect from 1 July each year by the application of a formula based on the retail price index for the month of May in the relevant and preceding year.

(b) **Master Services Agreement**

CMHYT also appointed the Custodian to act as its custodian in relation to the cash and securities of CMHYT and to provide, *inter alia*, the following services: holding cash and securities of CMHYT; receiving and delivering securities, cash and distributions; settling the purchase and sale of securities transactions; receiving all payments of principal and distributions payable in respect of all securities, cash and distributions; exchanging and surrendering securities and providing statements of account and other services typical of a custodian to an investment company pursuant to the Master Services Agreement, the terms of which are summarised at sub-paragraph 12.1 (c) above.

(c) **Facility Agreement**

CMHYT is party to a one year revolving credit facility with The Bank of New York Mellon for an amount up to £20 million (the “**CMHYT Facility**”) which was renewed on 10 November 2011. Available currencies under the CMHYT Facility are Sterling, Euros and US Dollars. The rate of interest applicable to drawings under the CMHYT Facility are based on the interbank offered rate for the currency in question. CMHYT is subject to certain financial covenants under the terms of the CMHYT Facility, including a covenant that its adjusted net asset value should not fall below £50 million and that its total borrowings should not exceed 30 per cent of adjusted net asset value.

12.3 **Transfer Agreement**

If the Scheme becomes effective, both the Company and CMHYT intend to enter into the Transfer Agreement on or about the Effective Date pursuant to which, after provision for the Liquidation Fund as defined therein, all the assets of CMHYT will be transferred to the Company in consideration for the issue to CMHYT Shareholders of Shares in the Company. Each of the parties to the Transfer Agreement has undertaken to enter into that agreement and to use its respective reasonable endeavours to implement the Scheme in accordance with its terms.

13. **Working capital**

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

14. **Significant change**

There has been no significant change in the financial or trading position of the Company since 19 December 2011, being the date on which the Company was incorporated.

There has been no significant change in the financial or trading position of CMHYT since 31 December 2011, being the date of the last audited financial information of CMHYT, incorporated by reference into Part II of this document.

15. **Capitalisation and indebtedness**

15.1 At the date of this Prospectus the Company:

- (a) does not have any secured, unsecured or unguaranteed indebtedness, including indirect and contingent indebtedness;
- (b) has not granted any mortgage or charge over any of its assets; and
- (c) does not have any contingent liabilities or guarantees.

15.2 As at the date hereof, the Company's issued share capital is two ordinary shares of no par value which are nil paid.

16. Litigation

Since the incorporation of the Company, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Company is aware which may have, or have since incorporation of the Company had, a significant effect on the Company's financial position or profitability.

Since the date falling 12 months prior to the date of this Prospectus, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Company is aware which may have, or have during the 12 months prior to the date of this Prospectus had, a significant effect on CMHYT's financial position or profitability.

17. Related party transactions

From the date of incorporation of the Company to the date of this Prospectus, the Company has not entered into any material transactions with related parties, save for the Investment Management Agreement. The key terms of this agreement are set out in paragraph 12.1 of this Part V.

18. Miscellaneous

Ernst & Young LLP will be appointed as the Company's auditor prior to Admission.

The register of members of the Company is kept at the registered office of the Registrar in Jersey, as set out in the section entitled "Directors, Investment Manager and Advisers". The remaining statutory registers of the Company are kept at the Company's registered office in Jersey, also as set out in the above section.

Certain information in this Prospectus has been sourced from third parties and is sourced where it appears. Such information has been accurately reproduced 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.

Save in respect of the Issue, none of the Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the Shares to be admitted to the Official List.

19. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered offices of the Company and at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA, up to and including the date of Admission:

- (a) the memorandum of association of the Company and the Articles;
- (b) the audited accounts for CMHYT for the three financial years ended 31 December 2011;
- (c) the material contracts referred to in paragraph 12 of this Part V; and
- (d) the Directors' appointment letters referred to in paragraph 8 of this Part V.

A copy of this Prospectus has been submitted to the National Storage Mechanism and is available for inspection at www.hemscott.com/nsm.do.

Copies of this Prospectus may be obtained, free of charge, during normal business hours on any day (except Saturday, Sunday, bank and public holidays) at the Company's registered office at Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW, Channel Islands; and at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA, up to and including the date of Admission.

Dated: 23 February 2012

DEFINITIONS

The following expressions have the following meaning throughout this Prospectus, unless the context requires otherwise:

“Administration Agreement”	the agreement dated 21 February 2012 between the Company and the Administrator, a summary of which is set out in paragraph 12 of Part V of this Prospectus;
“Administrator”	R&H Fund Services (Jersey) Limited;
“Admission”	the admission of the Shares to the Official List with a premium listing becoming effective in accordance with the Listing Rules and the admission of such shares to trading on the London Stock Exchange’s Main Market for listed securities becoming effective in accordance with the Admission and Disclosure Standards;
“Admission and Disclosure Standards”	the Admission and Disclosure Standards of the London Stock Exchange containing, among other things, the admission requirements to be observed by the companies seeking admission to trading on the London Stock Exchange’s Main Market for listed securities;
“Affiliate”	an affiliate of, or person affiliated with, a specified person; a person that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified;
“AIC”	has the meaning given in paragraph 12 of Part III of this Prospectus;
“AIC 2009 SoRP”	the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” issued by the AIC in 2009;
“AIC Code”	has the meaning given in paragraph 12 of Part III of this Prospectus;
“AIF”	has the meaning given in the Risk Factors of this Prospectus;
“AIFM Directive” or “AIFM”	has the meaning given in the Risk Factors section of this Prospectus;
“Articles”	the articles of association of the Company;
“Business Day”	a day on which the London Stock Exchange and banks in Jersey are normally open for business;
“CFC”	has the meaning given in the section headed “Taxation” in Part V of this Prospectus;
“CMHYT”	City Merchants High Yield Trust plc;
“CMHYT Facility”	the revolving credit facility agreement between CMHYT as borrower and The Bank of New York Mellon as lender;
“CMHYT Management Agreement”	the management agreement between CMHYT and the Investment Manager;
“CMHYT Share”	ordinary shares of £0.02 each in the capital of CMHYT;
“CMHYT Shareholders”	holders of shares in CMHYT;
“Company”	City Merchants High Yield Trust Limited;
“Companies Act”	the Companies Act 2006, as amended;
“Company Secretary”	R&H Fund Services (Jersey) Limited;
“CREST”	the computer system (as defined in the CREST Jersey Regulations) of which Euroclear UK & Ireland is the approved operator (as defined in the CREST Jersey Regulations);
“CREST Jersey Regulations”	the Companies (Uncertificated Securities) (Jersey) Order 1999;

“Custodian”	The Bank of New York Mellon (acting through its London branch);
“Daily Official List”	an official list of share prices produced every day by the London Stock Exchange;
“Directors” or “Board”	the directors of the Company;
“Disclosure Rules and Transparency Rules” or “DTRs”	the disclosure rules and transparency rules made by the FSA under Part VI of the FSMA;
“Effective Date”	the date on which the Scheme becomes effective which is expected to be 30 March 2012;
“EGM”	an extraordinary general meeting of the Company;
“ERISA”	the US Employee Retirement Income Security Act of 1974, as amended from time to time, and the applicable regulations thereunder;
“EU”	the European Union;
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited;
“Excluded Territory”	New Zealand and/or the United States (as the context requires);
“Financial Services Authority” or “FSA”	the Financial Services Authority;
“Founder Shares”	non-redeemable ordinary shares of no par value in the capital of the Company issued as “Founder Shares” and having such rights and being subject to such restrictions as contained in the Articles;
“FSMA”	the Financial Services and Markets Act 2000, as amended;
“gearing”	the term applied to the effect of borrowings and prior charge share capital on assets that will increase the return on investment when the value of the Company’s investments is rising but reduce the return when values are declining;
“IFRS”	International Financial Reporting Standards as adopted by the European Union;
“Insolvency Act”	the Insolvency Act 1986;
“Investment Management Agreement”	the agreement dated 23 February 2012 between the Company and the Investment Manager, details of which are set out at paragraph 12 of Part V of this Prospectus;
“Investment Manager”	Invesco Asset Management Limited;
“Investment Policy”	the investment policy of the Company referred to in paragraph 3 of Part I of this Prospectus;
“ISA”	an individual savings account maintained in accordance with the UK Individual Savings Account Regulations 1998, as amended;
“ISIN”	the international securities identifying number;
“Issue”	the issue of shares pursuant to the Scheme;
“Jersey”	the Island of Jersey;
“Jersey Funds Law”	Collective Investment Funds (Jersey) Law 1988, as amended;
“Jersey Listed Fund Guide”	the Jersey Listed Fund Guide issued by the JFSC, as may be amended from time to time;
“JFSC”	Jersey Financial Services Commission;
“Law”	the Companies (Jersey) Law 1991 (as amended);
“Listed Fund”	a collective investment fund established in Jersey and authorised by the JFSC in accordance with the Jersey Listed Fund Guide;
“Listing Rules”	the Listing Rules made by the Financial Services Authority under Part VI of the FSMA;
“London Stock Exchange”	London Stock Exchange plc;

“Main Market”	the London Stock Exchange’s main market for listed securities;
“Market Abuse Directive”	Directive 2003/6/EC of the European Parliament and of the Council on insider dealing and market manipulation (market abuse);
“Master Services Agreement”	the agreement between the Investment Manager and The Bank of New York Mellon which includes provisions relating to the custody services to be provided to the Company;
“Model Code”	has the meaning given in paragraph 13 of Part III of this Prospectus;
“Net Asset Value” or “NAV”	the net asset value of the Company calculated in accordance with the investment valuation policy of the Company and the normal accounting policies of the Company (excluding current year revenue items);
“Net Asset Value per Share”	the Net Asset Value of the Company divided by the number of Shares in the capital of the Company in issue;
“Official List”	the Official List of the Financial Services Authority;
“Ordinary Resolution”	a resolution of the Shareholders passed at a general meeting, on a show of hands, by a simple majority of Shareholders who, being entitled to vote, do so in person or by proxy or, on a poll, by Shareholders representing a simple majority of the total voting rights of Shareholders who, being entitled to vote do so in person or by proxy;
“Other Accounts”	means other clients, funds and accounts in relation to which the Investment Manager or any other members of the Invesco group act as manager, investment manager, trustee, custodian, sub-custodian, registrar, broker, administrator, investment adviser or dealer having the same or similar investment strategy as the Company;
“Overseas Shareholders”	Shareholders who have registered addresses outside the United Kingdom or who are located or resident in, countries outside the United Kingdom;
“Panel”	the Panel on Takeovers and Mergers;
“Portfolio”	at any time, the portfolio of assets and investments in which the funds of the Company are invested;
“Proposals”	together, the Issue and the Scheme;
“Prospectus”	this Prospectus relating to the Company prepared in accordance with the Prospectus Rules;
“Prospectus Directive”	means Directive 2003/71/EC of the European Parliament and Council on the prospectus to be published when transferable securities are offered to the public or admitted to trading;
“Prospectus Rules”	the Prospectus Rules made by the Financial Services Authority under Part VI of the FSMA;
“Qualifying CMHYT Shareholders”	means those CMHYT Shareholders who do not have a registered address in an Excluded Territory and who have not dissented under the Scheme;
“Registrar”	Capita Registrars (Jersey) Limited;
“Registrar Agreement”	the agreement between the Company and the Registrar dated 23 February 2012, details of which are set out at paragraph 12 of Part V of this Prospectus;
“Regulation S”	Regulation S under the US Securities Act;
“Regulatory Information Service” or “RIS”	a Regulatory Information Service authorised by the UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies;

“Restricted Person”	means any person having an interest in Shares who is, or who is deemed to be, or who appears to the Directors to be a US Person or any person or entity in the light of whose interest in Shares either on its own or taken together with the interests of other holders the assets of the Company might be considered “plan assets” (as such term is defined in the US Plan Asset Regulations) and, where the Directors resolve they have made reasonable enquiries and they are unable to determine whether or not a person has an interest in any particular Shares, all persons interested in them shall be deemed to be Restricted Persons;
“Scheme”	the proposed scheme of reconstruction of CMHYT under section 110 of the Insolvency Act;
“SDRT”	UK stamp duty reserve tax;
“Shareholder”	a holder of Shares from time to time;
“Shares” or “Ordinary Shares”	redeemable ordinary shares of no par value in the capital of the Company issued as “Ordinary Shares” of such classes as the Directors may determine in accordance with the Articles, and having such rights and being subject to such restrictions as contained in the Articles;
“Similar Law”	any US federal, state, local or foreign law that is similar to the provisions of Section 406 of ERISA or Section 4975 of the Code;
“SIPP”	a self-invested personal pension (as defined in the Personal Pension Schemes (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 (SI 2001 No. 117));
“Solvency II Directive”	has the meaning given in the Risk Factors section of this Prospectus;
“Special Dividend”	the special dividend to be paid by CMHYT on 29 March 2012;
“Special Resolution”	a resolution of the Shareholders passed, at a general meeting, on a show of hands by Shareholders representing at least 75 per cent of Shareholders who, being entitled to vote, do so in person or by proxy or, on a poll, by Shareholders representing at least 75 per cent of the total voting rights of Shareholders who, being entitled to vote, do so in person or by proxy;
“SSAS”	a small self-administered scheme (as defined in the Retirement Benefits Schemes (Restriction on Discretion to Approve) (Small Self-administered Schemes) Regulations (SI 1991 No. 1614));
“Sterling” or “£” or “GBP”	the lawful currency of the United Kingdom;
“Subscriber Shares”	the two subscriber shares of no par value of the Company that will be in issue immediately prior to Admission;
“subsidiary”	as construed in accordance with section 1261 Companies Act;
“Takeover Code”	the City Code on Takeovers and Mergers issued and administered by the Panel;
“Takeovers Directive”	the Directive on Takeover Bids (2004/25/EC);
“Transfer Agreement”	the agreement to be entered into between CMHYT, the Company, the Investment Manager and the liquidators of CMHYT pursuant to which, after provision for the Liquidation Fund as defined therein, all the assets of CMHYT will be transferred to the Company and the terms of which are summarised in paragraph 12.3 of Part V of this Prospectus;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK GAAP”	UK generally accepted accounting practice;
“UK Listing Rules”	the listing rules made by the FSA under Part VI of FSMA;

“uncertificated” or “uncertificated form”	in relation to a Share, recorded on the Company’s register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Jersey Regulations, may be transferred by means of CREST;
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“US Exchange Act”	the US Securities Exchange Act of 1934, as amended;
“US Investment Company Act”	the US Investment Company Act of 1940, as amended;
“US Person”	has the meaning given to it in Regulation S under the US Securities Act;
“US Plan Asset Regulations”	the regulations promulgated by the US Department of Labor at 29 CFR 2510.3-101, as modified by section 3(42) of ERISA;
“US Securities Act”	the US Securities Act of 1933, as amended;
“US Tax Code”	the US Internal Revenue Code of 1986, as amended; and
“Winterflood Securities”	Winterflood Securities Limited, acting through its division Winterflood Investment Trusts.

