

City Merchants High Yield Trust Limited

18 August 2017

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

Dear Mr Scholefield

Letter of Appointment

Appointment

You were appointed to the board of directors of the Company (the "**Board**") on 15 June 2017 and your election will need to be approved by shareholders at the Company's AGM in 2018. In accordance with the requirement for all directors to retire after three years in office, your appointment will terminate at the time of the AGM in 2021 but may then be renewed for a further three years if both you and the Board agree. Any director serving on the Board for longer than nine years will be subject to annual re-election, as will be any director considered not independent under the Listing Rules.

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

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

You have been approved by the Jersey Financial Services Commission as a Principal Person in connection with the Company under the Collective Investment Funds (Jersey) Law 1988 as amended and you agree to maintain such Principal Person status while you continue to be a director of the Company.

Role

You have been appointed as a non-executive director and chairman of the Board under the terms of this letter which is not intended to give rise to a relationship of employer and employee between the Company and you. As a member of the Board you are responsible, with your fellow directors, for the strategic aims of the Company and for the monitoring of the performance of the investment manager of the Company (the "**Manager**") and the other suppliers of services to the Company. Furthermore, you should satisfy yourself on the integrity of financial information and that internal controls and risk management systems are robust and defensible. As your duties are of an entirely non-executive nature, you have no individual authority to bind the Company, or any subsidiary, without specific Board or Board committee approval.

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Registered in Jersey

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

You will serve on our Audit Committee, which will meet at least twice a year usually in March and August/September. You will also serve on the Nomination Committee. The Board as a whole undertakes the duties of the Management Engagement Committee.

You should familiarise yourself with the Schedule of Matters Reserved for the Board and the terms of reference of any committees of the Board on which you serve, which will be sent to you by the Company Secretary.

Time Commitment

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

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

Fees

With effect from 15 June 2017, you will be entitled to an annual chairman's fee of £31,000 per annum, payable quarterly in arrears, which is reviewed periodically. The Company will, of course, reimburse you for any reasonable and properly documented expenses incurred in the performance of your duties.

Conflicts of Interests

It is accepted and acknowledged that you have business interests other than those of the Company and have declared any interests and conflicts that are apparent at present. In the event that you become aware of any potential conflicts of interest, these should be disclosed in writing to both myself and the Company secretary as soon as apparent. The Board is required to consider and, where deemed appropriate, authorise any directorships, appointments or other matters relating to your role as a Director of the Company, which might be regarded as giving rise to an actual or potential conflict situation for you, including considering and determining what terms and conditions should apply to such authorisation. Any authorisation of a conflict matter will be reviewed annually and you will be under an obligation to disclose any change in circumstance relevant to that conflict matter.

Please note that your appointment or resignation to or from the board of any publicly listed company must be notified to the Company Secretary as soon as possible, in order that a Stock Exchange announcement can be made.

Confidentiality

All information acquired during your appointment is confidential to the Company and should not be released, either during your appointment or following termination (by

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whatever means), to third parties without prior clearance from me or, in my absence, another director of the Company.

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

Share Purchases and Sales

Directors are required to comply with the UK Listing Authority's Listing Rules, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules.

For transactions in the Company's shares you will comply with the Dealing Code that has been adopted by the Company, a copy of which is appended to this letter.

Should you wish to deal in the Company's securities you must seek permission to do so in accordance with the Dealing Code.

Closed periods will be notified in each Board pack. No dealing by Directors is permitted during a closed period, with the exception of a conditional transaction whereby the decision to trade is made outside of the closed period, for example automatic dividend reinvestment.

Review Process

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

Insurance & Indemnity

The Company has directors' and officers' liability insurance ("**D&O Insurance**") and intends to maintain such insurance covering for the full term of your appointment. Such D&O Insurance shall so far as is reasonably obtainable in the insurance market provide cover for, inter alia, advancement of Directors' defence costs and automatic run-off cover for retiring Directors.

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

However, directors will not be entitled to be indemnified for any liability to the Company, for fines payable to regulatory authorities, for defending any criminal proceedings in which they are convicted or in defending any civil proceedings brought by the Company. In the event that final judgement is given against a director in relation to any claim brought by the Company or in any criminal or regulatory proceedings, the director will repay to the Company in respect of such claim any amount received from the Company under his Indemnity. The Indemnity does not apply to the extent that a liability is

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recovered by the director from any insurers, if it is prohibited under the Law or otherwise prohibited by law, if it relates to tax payable on remuneration or other benefits received, or if a liability arises out of the director's bad faith, fraud or wilful default or relates to a matter where the director knowingly exceeded his authority.

Independent Professional Advice

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

Right of Access to Board Papers and Records

You will be permitted such reasonable access for yourself and any legal or other professional adviser engaged by you to board minutes and board packs during or following termination of your appointment as Director as may be necessary to comply with any legal or regulatory obligations imposed on you as Director or to enable you to be advised on any matter relating to your duties, responsibilities or liabilities towards the Company or which may be necessary or advisable in the context of any legal proceedings to which you in your capacity as Director or former Director are made party or joined.

Previous Agreements

This letter supersedes all previous agreements and arrangements (whether oral or in writing) (if any) between the Company and you relating to your role as Director, each of which is hereby terminated by mutual consent. The letter contains the entire agreement between the parties as to the terms of appointment and the role of the Director but without prejudice to any legal and regulatory requirements binding on the Director which are imposed as a matter of mandatory requirement.

Governing Law and Jurisdiction

This letter shall in all respects be governed by and construed in accordance with the laws of Jersey and each party agrees to submit to the non-exclusive jurisdiction of the Royal Court of Jersey in respect of any claim or matter arising under, or in connection with, this letter.

Miscellaneous

This letter may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

The invalidity, illegality or unenforceability of any provision of this letter shall not affect or impair the continuation in force of the remainder of this letter.

I trust that the foregoing accurately records the terms of your appointment and, if you agree, I shall be grateful if you will sign and return to me the copy of this letter which is enclosed for that purpose.

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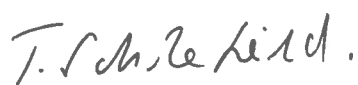
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With kind regards,



Philip Taylor
Audit Chairman

Confirmed



Tim Scholefield