

Peer Group:

South East Asian Equities

Fund Manager/Adviser:

Ian Beattie (since September 2003)

Location:

London

Launch Date:

May 1994

Fund Size (October 2007):

£123m

Group Contact No:

+44 845 608 8702

Website:

www.newstaram.com

S&P ID Number:

SB032434

Share class screened:

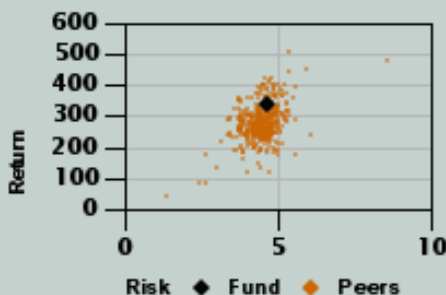
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INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

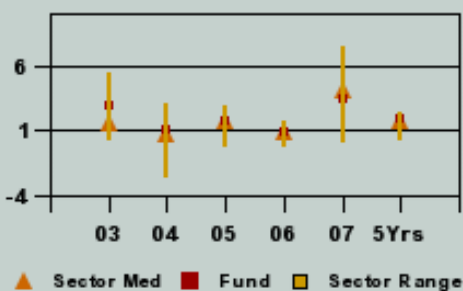
RISK RETURN (STD DEVIATION) OVER 5 YEARS



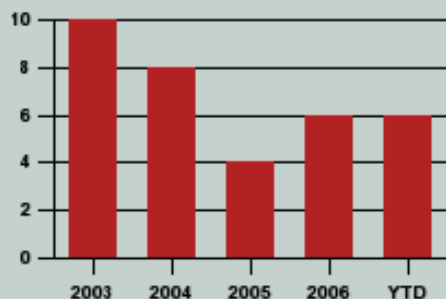
3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Low	-8.9
Volatility	Medium	16.0
Correlation	High	0.9
Beta	High	1.1

SHARPE RATIO VS PEER GROUP



CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

Please see page 2 for required research analyst certification disclosure.

Further information on S&P's fund coverage can be found at

www.funds.standardandpoors.com

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STANDARD & POOR'S OPINION (DECEMBER 2007)

This was originally a fund of investment trusts but trust exposure has been sharply reduced over recent years to the current 2%. Ian Beattie manages the fund, with investment support from Lucy Bernays and Connie Chen who is based in Taipei. The team has recently lost one member with Jorry Noeddekaer leaving the group after only having joined in 2006. Recruitment is however under way and there has been the addition of a graduate trainee over the past year. The team is, however, rather lean compared to certain peers.

The approach remains unchanged with a combination of top-down positioning and bottom-up stock selection. The top-down process involves significant input from Simon Ward the group senior economist who provides liquidity analysis both short term and long term, as well as macro, earnings and valuation data. Political assessments complete the

top-down picture which is used to direct bottom-up work but also serves as a warning in negative situations.

Although the top-down input can be a little momentum-based, the stock selection approach is based on quality and profitability with EVA-based analysis. Each senior team member has country based stock selection responsibility with overall sector exposures occasionally reflecting themes but primarily the result of stock selection.

Unusually for New Star Asset Management, this is a team-oriented product with risk controlled through a tracking error target of 3-8% versus the MSCI AC Asia ex-Japan benchmark.

Team performance over the medium to longer term has been above average and the fund maintains its S&P AA rating.

FACT FILE

Group: New Star Asset Management was founded in June 2000 by John Duffield, former chairman and CEO of Jupiter Asset Management. The company began trading in January 2001 and was listed in November 2005.

Team: The Asia equity team of four consists of team leader Ian Beattie, Lucy Bernays, analyst Connie Chien, now permanently based in Taipei, and a graduate trainee.

Fund Manager: Ian Beattie has been a specialist in the Asian region for 15 years, previously with

WorldInvest (acquired by New Star in 2000) as head of Asian equities, and on the Far East team at Royal Insurance.

Style: The fund invests in companies that generate economic value, with the potential for upward revision. Top-down analysis is used to guide stock selection.

Performance: Over the five years to 28/09/2007, the fund has returned 338.3%, compared with 274.3% for the sector median and 327.5% for the index, ranking 63/455.

FUND MANAGER & TEAM

New Star's Asia equity team, led by Ian Beattie, is responsible for approximately \$2.4bn. The team includes fund manager Lucy Bernays and Connie Chien, who is now in Taipei as a regional analyst, together with a trainee. The three seniors each have country responsibilities in the region, but within that all are research generalists.

Ian Beattie - economics (City University), began his investment career with Royal Insurance as a Far East fund manager before moving to WorldInvest, now New Star Institutional Managers, in 1996.

Lucy Bernays - psychology (University of London), joined New Star in 2001 as a graduate trainee. She focuses on the Korea and Hong Kong markets.

Jorry Noeddekaer - CFA Level 1, spent five years at Bankinvest in Denmark, on their Far Eastern equity team. Joined New Star in January 2006.

Connie Chen - MSc biology (Oxford), joined New Star in 2003 as a trainee fund manager. She is now based in Taipei.

PORTFOLIO CHARACTERISTICS

No. of holdings	94
Turnover ratio (%)	91
% in top 10	28

TOP 10 HOLDINGS (01/10/07)

	%
China Mobile *	4.5
Shenzhen Investment	3.8
Samsung Electronics *	3.4
Hang Lung Properties	2.8
Cheung Kong *	2.7
Reliance Communication Ventures	2.6
Taiwan Semiconductors	2.3
Rexcapital Financial	2.1
Hyundai Heavy Industries	2.0
Pohang Iron Steel	2.0

* In top 10 holdings a year ago

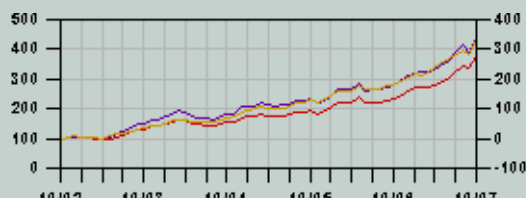
ALLOCATION BREAKDOWN (01/10/07)

	Fund %
Australia	3
China	8
Hong Kong	29
India	8
Indonesia	2
Korea	14
Malaysia	3
Philippines	1
Singapore	11
Taiwan	8
Thailand	2
Others	10
Cash	1

PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	140.7%	338.3%
Standard & Poor's Peer Median	142.3%	274.3%
Index**	155.0%	327.5%
Fund Rank	284/534	63/455
Standard Deviation	16.0	-
Relative Standard Deviation	1.1	-
Volatility Adjusted Ranking	370/534	-

CUMULATIVE PERFORMANCE



— S&P/Citi BMI Pan Asia ex Japan! — Fund
— SEA SEA

Units III permits net fund exposure to be less or greater than 100%.

NEW STAR CAPITAL TRUST

Peer Group: South East Asian Equities



MANAGEMENT STYLE

- The fund blends detailed top-down analysis with fundamental bottom-up stock selection. It is benchmark-aware (against the MSCI AC Asia ex-Japan) but not benchmark-driven. It may invest off index in Australia. It aims to outperform peers in the medium-term.
- Working closely with the in-house strategist, the manager evaluates regional cyclical, structural and liquidity issues to aid country allocation and enhance bottom-up stock understanding. The fund will not invest in a favoured country if it cannot find attractive stocks to reflect that view (it may zero-weight some areas).

- Stock selection is expected to add the most value. Using broker research, their own analysis and company visits, the team looks at companies on an EVA (economic value added) basis. This favours companies with good business models and improving return on invested capital. Valuation concentrates on EV/IC and P/E ratio. The fund may invest across the capitalisation scale but rarely goes below \$1bn. Although a team effort, Beattie retains a stock veto.

- The manager is risk-aware, diversifying the fund via 80-100 holdings and targeting a 3-8% tracking error.

PORTFOLIO REVIEW

The portfolio remained well diversified through 94 holdings, within the preferred 80-100 range.

The fund remains biased to Hong Kong/China with the other main overweight being the off-index position in Australia. The main underweights are to Korea and Taiwan both of which are 8% underweight. These positions are considered to be at their likely extremes, with Taiwan showing weakness in terms of the liquidity scoring and political issues, while

Korea has been reduced as the cyclical of the portfolio has been taken down.

The fund has been underweight India but additions were made here in late summer as the market rallied.

A general move has been seen up the market-cap scale over the past year, however this has not been the case in the Hong Kong/China exposure where concerns over earnings expectations and valuations have caused a move out of some of the blue chip names, particularly financials.

PERFORMANCE ANALYSIS (OCTOBER 2007)

Since mid-2004, the fund's investment trust exposure has declined significantly. The fund is now managed similarly to the New Star Asian Opportunities Fund.

After underperforming in 2005 due to country allocation, the fund showed a good recovery in 2006. Country positioning had a small positive impact, the swing factors being the overweight to Hong Kong and China. The underweight to Korea was also beneficial. On the negative side, the fund's low exposure to India was unhelpful, and Thailand did not

perform, but in both cases this was compensated by good stock selection. Strong contributions came from stocks such as Hana Tour, Bank Mandiri, Shenzhen Investments, Capitaland and Ping An.

Returns in 2007 were close to benchmark with the asset allocation to Hong/China and away from Taiwan being positive. Moving out of the blue chips in Hong Kong/China did not help however and stock selection in Korea, Thailand (timing also negative) and India (Infosys) was negative.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2003		2004		2005		2006		YTD 28/09/2007	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	68.3	16/474	18.3	126/493	17.5	369/557	31.5	303/626	36.8	326/674
Index**	46.2		28.5		25.3		28.7		35.3	
Median	45.9		15.6		19.4		31.1		36.4	

** S&P/Citi BMI Pan Asia ex Japan!

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