

New Star Asset Management
Sub-fund of UK-authorized Oeic

Report Issued: September 2007

Peer Group:

Financial Equities

Fund Manager/Adviser:

Guy de Blonay (since launch)

Location:

LONDON

Launch Date: December 2001

Fund Size (July 2007):

£260m

Group Contact No:

+44 845 608 8703

Website:

www.newstaram.com

S&P ID Number: SB298670

Share class screened:

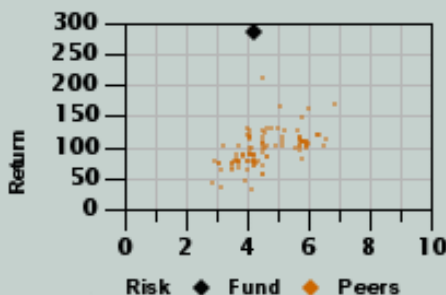
Retail



INVESTMENT STYLE

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

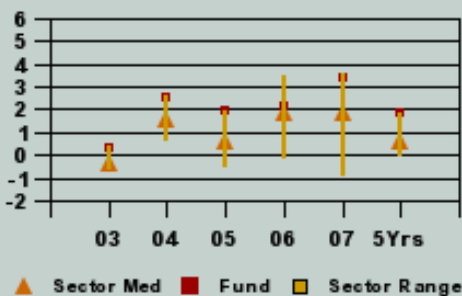
RISK RETURN (STD DEVIATION) OVER 5 YEARS



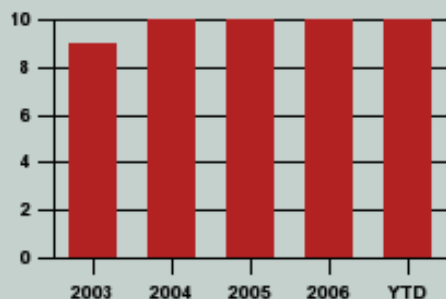
3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Low	-7.9
Volatility	High	14.2
Correlation	High	0.9
Beta	High	1.4

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 (AUGUST 2007)

New Star Global Financials fund is the best performer in the S&P peer group over three and five years cumulatively and has achieved top or second decile returns every calendar year since launch in December 2001.

The fund is managed by Guy de Blonay who has produced this exceptional record through a combination of macro analysis and solid stock selection. De Blonay has 11 years' investment experience, but has only specialised in financials since the launch of this product. He heads a team of five (two analysts, two traders) covering global financials.

As with all New Star products, the manager makes use of in-house and external resources as he deems appropriate. De Blonay finds the weekly report from Simon Ward, New Star's chief economist, extremely useful in highlighting areas of potential interest and,

at present, is working closely with the Asian team, as this is where he feels there are the most interesting ideas.

The fund is flexible in its geographic and sub-sector allocations and the manager is willing to exclude entirely an area in which he sees no value. (For example, the US at 0.5% versus 40% for the benchmark). However, this year, some restrictions have been introduced, namely that the fund must have at least 75% of assets in the US, Europe and Japan, and a maximum of 15% in emerging markets or property.

The changes are merely intended to ensure that the fund does not stray too far from its mandate and we do not envisage that they will impact the manager's ability to add value or restrain his flair. As a result the fund comfortably retains 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: Guy de Blonay heads the global financials team. He is assisted by financials specialist Nick Brind, one analyst and two traders. He draws input from New Star's regional and fixed interest teams.

Fund Manager: Guy de Blonay joined New Star in 2001 to set up the Global Financials Fund. He

previously worked at Jupiter. He has over ten years' fund management experience (five on financials).

Style: The fund adopts a top-down thematic approach and then identifies stocks which best encapsulate those themes. The portfolio is constructed without reference to a benchmark, but with awareness of risk.

Performance: Over the five years to 29/06/2007 the fund has returned 284.6%, compared with 99.4% for the sector median and 112.3% for the index, ranking 1/107.

FUND MANAGER & TEAM

Guy de Blonay joined New Star at inception in 2001, having been invited by chairman John Duffield to set up the Global Financials product. He previously worked at Jupiter, where he was co-manager of the ecology funds. He has more than 10 years' experience in total, focusing on financials since he joined New Star. He is assisted by Nick Brind and Emily Adderson (analyst) and two traders. The team draws input from the fixed-income desk and its economist as well as the regional equity teams.

Guy de Blonay - law (University of Geneva), philosophy (Institut Florimont, Geneva), joined Jupiter Asset Management in 1995, managing emerging market funds and co-managing ecology funds. He moved to New Star in 2001.

Nick Brind - chemistry (Southampton University), joined New Star in 2005, having previously worked at Exeter Asset Management and Capel-Cure Myers as a portfolio manager. He is the lead fund manager of the New Star Financial Opportunities Fund (formerly Exeter Financials Fund).

Emily Adderson - Latin (University of Durham), joined New Star in April 2004. Initially in e-marketing and online advertising, she joined the financials team in May 2006, focusing on financials in emerging markets.

PORTFOLIO CHARACTERISTICS

No. of holdings	83
Turnover ratio (%)	229
% in top 10	34

TOP 10 HOLDINGS (01/07/07)

	%
Man	4.6
Marfin Popular Bank	4.4
Partners	3.9
Banque Cantonale Vaudoise	3.5
New Star Asset Management	3.3
OTP Bank	3.1
Garanti Bankasi	2.9
Societe Generale	2.8
Zurich Financial Services	2.8
Unicredito Italiano	2.7

* In top 10 holdings a year ago

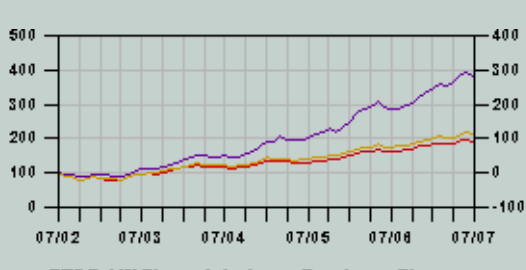
ALLOCATION BREAKDOWN (01/07/07)

	Fund %
Financials	97
Consumer Services	1
Health Care	1
Technology	1
Other	-
Cash	-

PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	157.6%	284.6%
Standard & Poor's Peer Median	65.5%	99.4%
Index**	71.6%	112.3%
Fund Rank	1/126	1/107
Standard Deviation	14.2	-
Relative Standard Deviation	1.4	-
Volatility Adjusted Ranking	1/126	-

CUMULATIVE PERFORMANCE



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

NEW STAR INVESTMENT FUNDS - GLOBAL FINANCIALS FUND

Peer Group: Financial Equities



MANAGEMENT STYLE

- The fund aims to generate absolute returns in any market conditions. It is constructed without reference to a benchmark and has only very loose constraints on portfolio construction: minimum 75% in the US, Europe and Japan and maximum 15% in emerging markets or property.
- The manager combines top-down and bottom-up influences. All themes start with the view that a significant industry or company change, not yet fully recognised by the market, is imminent or in progress.
- 15-20 themes are selected and stocks with the best potential within these are subject to further analysis. Management, ROE, competitive position and valuation are

all considered. Avoiding disasters is key. Optimal prices are set and a stop-loss of around 15% is employed.

- The maximum individual stock position is 7%. More usual is 3-5%. Position size is a function of the level of conviction, although less liquid stocks will always have smaller weights.
- The manager also monitors the market capitalisation split of the portfolio, aiming for no less than 60% in large-caps and up to 10-15% in small-caps.
- Sales result from overvaluation versus country or sector or replacement by a higher conviction idea.

PORTFOLIO REVIEW

Over the past 12 months turnover has been significantly higher than the 100% long term average. The figure of 229% largely reflects rapid moves out of and back into emerging markets - from 15% to 5% and back to 14% - and from the switch out of China in favour of Turkey.

By region, the fund remains essentially out of the US (only one holding, Bear Stearns, 0.5% and two Bermuda listed companies) with the majority of the portfolio in Europe and the UK (69% and 15%, respectively).

Overall themes in 2007, so far are similar to 2006, driven by positive market sentiment and M&A activity. As a result, the focus remains on investment banks asset managers and emerging markets. Areas to avoid include US regional banks, UK banks and Spanish domestic.

Major holdings remain relatively unchanged over the year, with only two sales from last year's top 10: UBS because of management mistakes combined with a turn in sentiment and ABN Amro because of continuing uncertainty over the potential takeover.

PERFORMANCE ANALYSIS (JULY 2007)

This is the top-ranking fund in the S&P peer group over both three and five years cumulatively and has achieved top or second decile returns every calendar year since 2003. Strong performance has come from thematic and stock specific success.

In 2004-05 De Blonay correctly identified the potential of Eastern European property and acquisition interest in Turkish banks. He also increased exposure to areas with above average banking growth such as Greece and Brazil, with great success. In 2005, themes such as Italian banking consolidation and

Japanese broking added value and in 2006 the greatest single contributor to performance was the holding in New Star Asset Management. Others included BNP Paribas, Capitalia and Orco Property.

In 2007, the fund benefited from its Europe bias, from avoiding banks in the UK, Spain and Canada and from avoiding the weakness in property in Europe and the US. Stock successes include Partners Group, Man Group, Shenzen Investment and Bank Garanti.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2003		2004		2005		2006		YTD 29/06/2007	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	44.4	21/119	33.8	1/125	30.9	1/126	41.0	8/126	10.5	5/127
Index**	39.7		19.4		13.0		25.5		4.3	
Median	39.1		17.7		9.9		23.4		3.7	

** FTSE AW Financials (Source: FTSE International)

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