

7 July 2006



Launch of New Star Absolute Return Fund (the “Fund”)

New Star Asset Management is pleased to announce the launch of a new closed end London listed investment company which will target an absolute return of LIBOR plus 600 to 1000bps.

The Fund will be managed by Charles Tritton, New Star’s head of alternative investments, who will actively allocate to a range of New Star hedge fund strategies on a risk budgeted basis.

The portfolio will seek to generate alpha through active stock picking on both long and short positions but with a low market exposure. The Fund’s typical portfolio composition is expected to provide diversification across approximately 40 industry sectors and in excess of 500 individual positions.

At 30 June 2006, New Star managed \$2.2 billion of hedge fund assets, including approximately \$0.6 billion in the same strategy as the Fund. New Star’s nine existing hedge fund strategies are managed by 15 experienced fund managers with an average hedge fund investment experience of 5 years.

For the 3 years to 31 May 2006 New Star’s hedge fund strategies¹ generated a compound annual return of 13.5% with an annualised volatility of 6.4% compared to a return of 8.4% and volatility of 5.9% for the average London listed fund of hedge fund².

The Fund is a Guernsey closed end investment company which will be listed on AIM and the CISX. It will issue two classes of share, a growth share providing a capital only total return and an income share which will pay an annual dividend of 5% on an initial investment of 100p with the potential for capital growth³.

The Fund is targeted at institutional investors and sophisticated and high net worth individual investors. The minimum investment is £37,500 through a Placing which closes on 21 July. Following listing the shares will be ISAble, PEPable and SIPPable

Commenting on the launch, Ravi Anand, New Star’s head of structured products said

“New Star Absolute Return brings together all of New Star’s hedge fund talent in one fund. The Fund benefits from active management at all levels, a focus on risk management and a single layer of fees. We have been marketing the Fund for the last few weeks and it has received a fantastic response from potential investors who see the benefits of diversifying their portfolios into absolute return strategies and New Star’s strong track record in this area”.

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Strategy details:

Currently New Star's hedge fund managers and the strategies applied by them are as follows:

<i>Strategy</i>	<i>Lead Manager</i>	<i>Investment Philosophy</i>
European	Richard Pease	Fundamental stock picking with a net long bias to mid caps
European Trading	Harry Tyser	Actively traded Pan-European equity/currency fund
Financials	Guy de Blonay	Thematic based sub-sector allocation combined with a bottom up stock picking strategy
Global, Sector and UK biased	Tim Bray	Fundamental stock selection with a tactical sector bias
Japan	Michelle Saunders Alastair MacGregor	Fundamental stock picking strategy with an actively managed net market exposure
Pan-Asia	Ian Beattie	Fundamental stock picking strategy with a net long bias.
UK Mid-Cap	Tim Steer	Fundamental stock picking with a focus on cash-flow generation and a low net market exposure
UK Multi-Cap	Alan Miller	Fundamental stock picking across all sectors with a net long bias
Opportunistic	Various	Strategies which may not be sustainable over longer periods of time so take advantage of short term opportunities

1. The New Star hedge fund returns are calculated as follows: from June 2003 to June 2004 an equally weighted monthly returns on six New Star hedge fund strategies (adjusted for one further strategy launched in December 2003) and from July 2004 to 31 May 2006 the monthly returns of a similarly managed vehicle to the Fund (i.e. an actively managed portfolio of eight of New Star's hedge fund strategies with an optional risk overlay (one strategy included in this portfolio was launched in May 2005). The Fund's weightings to strategies may differ from this portfolio. The above returns have been calculated net of all fees including management fees and performance fees at each strategy level. Past performance is not a guide to future returns
2. Average listed fund of hedge fund is the simple average returns from June 2003 to May 2006 of five London listed fund of hedge funds; Alternative Investment Strategies, Altin, Dexion Absolute, HSBC European Absolute, HSBC Global Absolute.
3. The level of income is not guaranteed and payment of income may reduce initial capital.

New Star Notes to Editors

- New Star, one of the UK's fastest growing fund management companies, was founded in June 2000 by John Duffield, previously the founder of Jupiter Asset Management, which he built into one of the most successful retail investment businesses in the UK.
- New Star currently employs more than 290 people.