

9 October 2006



HEDGE ETS

New Star RBC Hedge 250 Index Exchange Traded Securities PCC Limited

(A closed-ended investment company incorporated in Guernsey with registered number 45501 under the provisions of The Companies (Guernsey) Law 1994 to 1996 and the Protected Cell Companies Ordinance 1997 to 1998, as amended)

New Star to launch unique access to hedge fund industry performance

New Star Asset Management ("New Star") is pleased to announce the launch of Hedge ETS, a London listed daily tradable security, providing access to performance representative of the hedge fund asset class through investment exposure to the RBC Hedge 250 Index[®] (the "Index").

The Index was launched on 1 July 2005 and is designed to be a representative, investable benchmark of the performance of the hedge fund asset class. The Index has the following key features:

- extensive diversification across over 250 hedge funds and nine distinct strategies;
- asset-weighted by strategy, approximately equally-weighted initially by hedge fund;
- rules-based construction methodology designed to emphasise inclusiveness and minimise selection bias;
- inclusive selection criteria which results in hedge funds which may have lock-ups, redemption gates, low liquidity and which are presently closed to investment;
- total assets under management of the hedge funds in the Index were US\$192 billion (1 September 2006), representing approximately 20% of industry hedge fund assets under management (source: RBC Capital Markets).

Performance of the Index

Since its inception on 1 July 2005 to 31 August 2006, the Index has closely tracked returns on hedge funds and outperformed other recognised hedge fund investable indices.

	Annualised return	Volatility
RBC Hedge 250 Index ^{®1}	10.1%	4.2 %
Average Non-Investable Index ²	11.9%	4.5 %
Average Investable Index ³	7.1%	3.3 %

¹ Returns are net of monthly Index fee of 1/12 of 0.95 per cent. of the beginning of month Index level. US\$ returns to 31 August 2006, data at 27 September 2006. Source: Index returns - RBC Capital Markets, calculations - Mellon Analytical Services.

² Average Non-Investable Index does not include any index fees and is an equal weighting of the HFRI Fund Weighted Composite Index, MSCI Hedge Fund Index and Credit Suisse/Tremont Hedge Fund Index. US\$ returns to 31 August 2006, data at 27 September 2006. Source: Index returns - Bloomberg, calculations - Mellon Analytical Services.

³ Average Investable Index is net of estimated index fees and is an equal weighting of the HFRX Global Hedge Fund Index, MSCI Hedge Invest Index and Credit Suisse/Tremont Investable Hedge Fund Index. US\$ returns to 31 August 2006, data at 27 September 2006. Source: Index returns - Bloomberg, calculations - Mellon Analytical Services.

Hedge ETS

Hedge ETS is a unique security offering daily liquidity (subject to secondary market), the ability to redeem shares close to net asset value and 1X (unlevered) shares and 3X exposed shares, subject to Directors' discretion and redemption fee.

Hedge ETS will obtain exposure to the Index through a contract with Royal Bank of Canada and be subject to a management fee.

Shares are being issued under a global placing (outside US) and a public offer in the UK. UBS Investment Bank are acting as sponsor to Hedge ETS. Royal Bank of Canada Investment Management (UK) Ltd and UBS Investment Bank are acting as placing agents.

Two types of shares are being offered; 1x shares which offer unleveraged exposure to the performance of the Index and 3x shares which target three times exposure to the performance of the Index. Under the placing, both are available in Euro, Sterling, US Dollars and Canadian Dollars, with a minimum investment per placee of EUR€50,000, GB£40,000, US\$75,000 and CA\$80,000 respectively.

In order to assist in the management of any discount to net asset value up to 14.99 per cent. of the shares in issue may be purchased in the market. In addition, each shareholder will have the opportunity to redeem up to 100 per cent. of their shares at close to net asset value, on the first business day of January or July in each year, subject to providing at least 120 days' prior notice and the Hedge ETS directors exercising their discretion to offer redemptions.

The offer is expected to close on 21 November 2006 and the placing on 22 November. Dealings in shares are expected to commence on the London Stock Exchange on 28 November 2006.

Ravi Anand, New Star's head of structured products, said

“Hedge ETS offers unique access to the performance of the hedge fund asset class through a well constructed index and the added benefit of daily liquidity. We believe that Hedge ETS is the most representative investable benchmark for hedge fund industry returns and should be attractive to both institutional and sophisticated private investors seeking to benefit from the portfolio diversification benefits provided by hedge fund returns.”

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Notes to Editors:

1. New Star Asset Management is an asset management group, listed on the London Stock Exchange's Alternative Investment Market with US\$35 billion of assets under management (at 31 August 2006), including approximately US\$1.7 billion in hedge funds. New Star will manage Hedge ETS and undertake regular due diligence on the Index. New Star will receive an investment management fee of 0.85 per cent. per annum of the net

asset value of the 1x shares and 1 per cent. per annum of the net asset value of the 3x shares.

2. There are approximately 9,000 hedge funds globally with approximately US\$1 trillion of assets (source: Hedge Fund Association). The average non-investable hedge fund index references approximately 1,600 hedge funds whereas the average investable hedge fund index references approximately 90 hedge funds (Source: see notes 2 and 3 above).
3. The composition of the RBC Hedge 250 Index at 1 September 2006 was:

Strategy	Weight	No. of funds
Equity Long/Short	36.8%	92
Multi-Strategy	14.3%	38
Credit	12.2%	31
Merger & Special Situations	10.9%	27
Macro	8.8%	23
Managed Futures	5.9%	15
Fixed Income Arbitrage	5.6%	15
Convertible Arbitrage	3.0%	9
Equity Market Neutral	2.5%	7
Total	100.0%	257

Further information on the Index can be found at www.rbchedge250.com

4. Hedge ETS is the brand name for shares issued by the 1X and 3X cells of New Star RBC Hedge 250 Index Exchange Traded Securities PCC Limited, a Guernsey based investment company which will enter into a swap with Royal Bank of Canada to provide exposure to the Index.

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