



New Star Financial Opportunities Fund

Newsletter – March 2008

Investment policy:	The objective of the Company is to provide shareholders with a high level of income and the potential for capital and income growth. The Company will seek to achieve its investment objective by investing predominantly in the equity, debt or other securities of listed European and UK financial companies.
Launch date:	11 December 2000
Fund size:	£23.0m

Fund manager's comments

The net asset value of the New Star Financial Opportunities Fund rose only marginally in March completing what has been a disappointing three months for performance. Despite having positioned the portfolio more defensively, exposure to small and mid-cap financials and widening corporate bond spreads resulted in underperformance relative to the Dow Jones STOXX 600 Financials Index.

During the month, Davenham reported a strong set of interim results accompanied by an upbeat statement regarding its prospects. Despite this, its share price, which has performed poorly over the last six months, fell further. The fall came despite the fact that Close Brothers announced the acquisition of a similar business to Davenham at a significantly higher valuation.

The shares of Liontrust Asset Management, one of the Company's larger holdings, also performed poorly during the month. It has suffered in a similar way to many of the other quoted asset managers against the background of weaker equity markets and concerns about fund flows. Nevertheless, in a trading statement during the month it highlighted a significant pick up in performance fees compared to the previous year.

There were a number of changes to the portfolio during March. Holdings in Hansard Global and Banco Santander were increased while a new holding was purchased in HBOS 9.54% preference shares. Holdings in THB and Vantis were reduced while the remaining holding in London & Associated Properties was sold.

Nick Brind, New Star Asset Management Limited

NAVs and share prices

	Share price	NAV ¹	Dividend yield ²
Ordinary shares	52.75p	61.02p	8.34%

Performance

	1 month	3 months	YTD	12 months	Since 31 March 2003 ⁵
Ordinary shares price ³	-14.2%	-19.4%	-19.4%	-27.2%	282.7%
NAV ⁴	0.5%	-13.9%	-13.9%	-24.3%	194.1%
Benchmark Index	3.8%	-8.8%	-8.8%	-20.1%	73.8%

Prior to 14 December 2007 the index used for comparing performance was the FTSE Financials Index. Since 14 December 2007 this has changed to the DJ STOXX 600 Financials Total Return Index.

Discrete years

	31.03.07 to 31.03.08	31.03.06 to 31.03.07	31.03.05 to 31.03.06	31.03.04 to 31.03.05	31.03.03 to 31.03.04
NAV ⁴	-24.3%	11.1%	63.1%	24.2%	72.7%
Benchmark Index	-20.1%	8.0%	31.1%	13.7%	35.1%

Past performance is not a guide to future returns

Source: New Star Asset Management, Datastream (total return) at 31 March 2008

¹ The NAV per share (i) includes current financial year revenue items and (ii) excludes a provision for the issue of 4,236,992 shares held in Treasury

² Yield figures are gross of tax and are not guaranteed

³ Share prices shown are mid-market prices

⁴ As of 31 December 2005, net asset values are calculated using bid prices and prior to then mid prices. NAV performance includes dividends reinvested

Capital structure

	Number of shares	GB£m 31 March 2008	% of total assets
Ordinary shares in issue ¹	38,132,932	23.0	63.7
Prime Broker credit facility		13.1	36.3
Total assets		36.1	100.0

The ordinary shares are currently geared through credit facilities arranged through Credit Suisse. Prior to 11 December 2007, the Ordinary shares were geared by Zero Dividend Preference shares. ¹ Excludes shares held in Treasury

Net sector exposure (% of total assets) at 31 March 2008

Sector	Equities	Fixed income	Total
Banks ¹	26.9%	11.5%	38.4%
General financial ¹	19.1%	5.6%	24.7%
Investment companies	4.5%	3.6%	8.1%
Life assurance	9.3%	0.0%	9.3%
Non-life insurance ¹	10.2%	6.8%	17.0%
Real estate	2.5%	0.0%	2.5%
Total	72.5%	27.5%	100%

Source: New Star Asset Management, Capita Sinclair Henderson Limited, Datastream

¹ The Company currently holds short positions in banks, general financials and non-life insurance

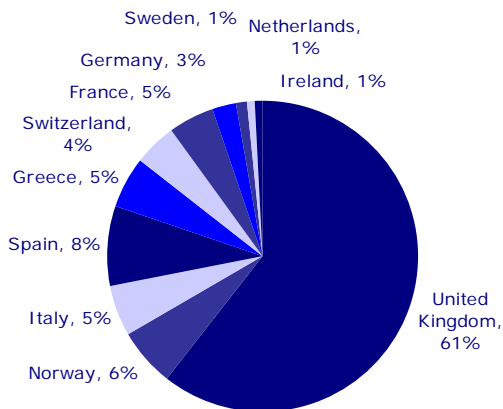




New Star Financial Opportunities Fund

Newsletter – March 2008

Geographical exposure (% of total assets)



Portfolio exposure

	% of net assets
Long positions	160.9%
Short positions	16.2% ¹
Gross exposure	177.1%
Net exposure	144.7%

	% of net assets
Net equity market exposure of Ordinary shares ²	96.6%

¹ The Company currently holds short positions in banks, general financials and non-life insurance
² This represents the equity market exposure for the Ordinary shares taking account of the Company's gearing, short positions and fixed income portfolio exposure.

Largest holdings 1- 10	%
DNB NOR	4.2
Banco Santander	4.2
Aviva	3.8
Chaucer Holdings 8.5% CULS	3.3
Personal Group Holdings	3.2
Dartmoor Pref	3.0
Unicredit	3.0
Legal & General	2.8
Man Group	2.7
BNP Paribas	2.5

Largest holdings 11- 20	%
Intesa Sanpaolo 6.25% Bond	2.3
PSource Structured Debt	2.2
Santander International 3.375% Bond	2.2
Investec Finance 7.75% bond	2.0
Liontrust Asset Management	2.0
Brit Insurance 8.5% ULS	2.0
Provident Financial 7.125% Sub Bond	1.9
BBVA	1.8
Friends Provident	1.8
Zurich Financial Services	1.8

Glossary

Asset cover

The extent to which a company's net assets cover its debt obligations and/or preference shares.

Bid prices

The bid price is the price a buyer is willing to pay for a security. The opposite of the bid is the ask price/offer price, which is the price a seller is looking to get for their shares.

Gross dividend yield

A financial ratio that shows how much a company pays out in dividends each year relative to its share price. In the absence of any capital gains, the dividend yield is the return on investment for a stock. Dividend yield is calculated as follows: annual dividend per share / price per share.

Mid prices

The average of the bid price and offer price of a security.

Ordinary shares

Ordinary share holders have a right to vote at the general meetings and an entitlement to dividends. Ordinary shares rank behind the final entitlement of the zeros and as such offer a geared capital return and carry the risk of complete loss if the total assets fall.

Fund details

Directors: Martyn Chambers (Chairman), George Baird, Christopher Fish, Nigel Taylor, Julian Tregoning.

Investment manager: New Star Asset Management Limited. **Tel:** +44 20 7225 9200. **Email:** closedendfunds@newstaram.com.

Primary listing: London Stock Exchange.

Dividend payments: April, July, October, January **XD:** March, June, September, December.

	Mnemonics	ISIN	Sedol
Ordinary shares:	NST LN	GB0003286837	0328683

Risk warning

An investment in shares carries substantial risk and is suitable only for financially sophisticated investors capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss (including total loss) which may result from the investment. The value of an investment and the income from it can go down as well as up, it may be affected by exchange rate variations and you may not get back the amount invested. Past performance is not necessarily a guide to future performance. The Ordinary shares may be relatively volatile and market movements may be magnified. The fund invests predominantly in securities of financial companies, some of which are quoted on AIM. Stocks quoted on unregulated markets such as AIM may be regarded as higher risk than those listed on regulated markets. The fund may also invest in non investment grade fixed interest securities which are subject to credit, liquidity and interest rate risks. These stocks have a low credit rating and carry a high degree of risk of default on repayment. Due to the limited asset type that the fund may invest in, the lack of diversification may lead to increased volatility and risk. There is no guarantee that the market price of shares will fully reflect the net asset value of the fund. Please ensure you refer to your financial adviser to understand the full features and risks of this product before investing. The fund is unregulated and investors in New Star Financial Opportunities Fund may not have the right to access the Financial Compensation Scheme or the Financial Ombudsman Scheme. The fund may also use derivatives and gearing which can increase volatility and risk.

