



New Star Financial Opportunities Fund

Newsletter – November 2007

Investment strategy: The policy of the Company is to provide Ordinary Shareholders with a high income and the opportunity for income and capital growth and to provide Zero Dividend Preference Shareholders with a predetermined final capital entitlement. This is to be achieved by investing in securities of financial companies, the majority of which will be listed on a Recognised Investment Exchange.

Launch date: 11 December 2000

Fund size: £85.6m

Fund manager's comments

Financial stocks suffered further falls in November on fears that banks would have to make significantly larger provisions than predicted as a result of contagion from the US sub-prime mortgage crisis. These falls were exacerbated by the fear that such large write-downs would mean that banks would have to raise equity and/or cut their dividends to bolster their balance sheets.

The Company's holdings in cash, fixed-interest investments and short positions in the Dow Jones Euro Stoxx Banks Index cushioned some of the impact of its structural gearing on performance. Nevertheless, the net asset value of the Ordinary shares fell 10.3% while the FTSE Financials Index shed 8.4%.

ICAP and Deutsche Börse both rose as they benefited from the increased volatility in financial markets. These gains were, however, more than offset by disappointing performances elsewhere, in particular from the holding in New Star Asset Management, whose shares fell sharply over the month.

Resolution, the largest of the closed life assurance fund managers, brought an end to a four-month bidding contest by recommending an offer by Pearl Group after Standard Life abandoned its attempts to acquire the company. As a result, Resolution's shares fell slightly over the month.

There was limited investment activity in November. The Company's proposals for a reconstruction were completed in December. The www.newstaram.com website provides access to the full announcement covering the proposals and documents relating to the transaction. We wish to thank shareholders for their support.

Nick Brind, New Star Asset Management Limited

NAVs and share prices

	Ordinary	Zero
Share price ¹	66.25p	166.25p
NAV ²	71.38p	168.06p
Gross dividend yield ³	7.09%	n/a

Performance

	1 month	3 months	YTD	12 months	Since 31 March 2003 ⁴
Ordinary shares price ¹	-6.4%	-5.3%	-6.3%	-2.9%	363.9%
NAV ²	-10.3%	-5.3%	-11.0%	-4.0%	237.7%
FTSE Financials Index	-8.4%	-6.3%	-11.8%	-7.4%	92.0%

Discrete years

	30.09.06 to 30.09.07	30.09.05 to 30.09.06	30.09.04 to 30.09.05	30.09.03 to 30.09.04	30.09.02 to 30.09.03
Ordinary shares NAV performance	7.6%	39.7%	35.6%	17.3%	15.5%
FTSE Financials Index	-0.7%	22.5%	18.3%	14.2%	23.8%

Past performance is not a guide to future returns

Source: New Star Asset Management, Bloomberg, Datastream (total return) at 30 November 2007

¹ Share prices shown are mid-market prices

² As of the 31 December 2005, net asset values are calculated using bid prices and prior to then mid prices

³ Yield figures are gross of tax and are not guaranteed

⁴ 31 March 2003, Nick Brind became fund manager of the New Star Financial Opportunities Fund

Capital structure

	Number of shares	GB£m 30 November 2007
Ordinary shares in issue	61,500,000	44.1
Zero dividend preference shares in issue (issued by NSF Securities Ltd)	24,675,000	41.5
Total assets		85.6
Asset cover for Zeros final entitlement of GB£41.6m		2.1 times

Zero dividend preference shareholders were repaid 168.48p per share on 11 December 2007

Portfolio composition (%) at 30 November 2007

Sector	Equities	Fixed income	Total
Banks	33.9%	5.0%	38.9%
General financial	16.2%	3.5%	19.7%
Investment companies	3.2%	1.5%	4.7%
Life assurance	12.4%	0.2%	12.6%
Non-life insurance	3.5%	4.8%	8.3%
Real estate	2.1%	0.0%	2.1%
Cash	-	-	13.7%
Total	71.3%	15.0%	100%

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

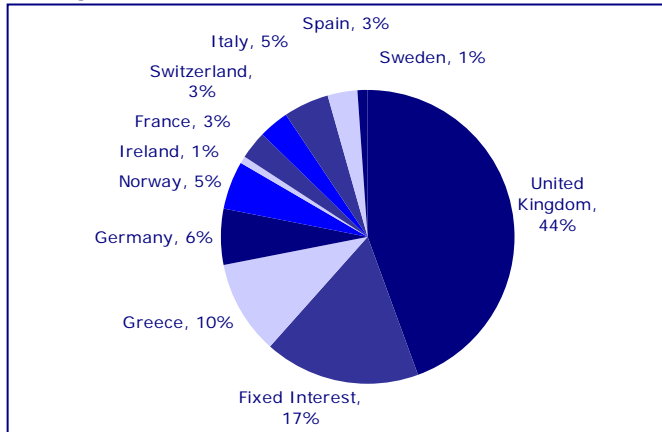




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Geographical asset allocation (% of total assets) (Re-weighted to exclude cash)



Largest holdings 1- 10	%
Unicredito Italiano	4.4
Resolution	3.7
Commerzbank	3.4
DnB NOR	3.3
Aviva	3.2
Legal and General	2.9
Banco Bilbao Vizcaya Argentaria	2.8
HBOS	2.8
Alpha Bank	2.2
Credit Suisse	2.1

Largest holdings 11- 20	%
Friends Provident	2.0
Man Group	2.0
HSBC Holdings	1.9
BNP Paribas	1.9
Fortis CCENS	1.9
Personal Group Holdings	1.9
Deutsche Boerse	1.9
New Star Asset Management	1.7
Bank of Piraeus	1.6
Chaucer Holdings 8.5% CULS	1.6

Largest holdings 21- 30	%
National Bank of Greece	1.5
Liontrust Asset Management	1.4
Davenham Group	1.3
Integrated Asset Management Variable CULS	1.3
ICAP	1.2
Dartmoor Pref	1.2
Marfin Popular Bank	1.2
Bank of Cyprus	1.1
Hellenic Exchanges	1.1
Royal Bank of Scotland	1.1

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.

Zero dividend preference shares (zeros)

Zeros have no right to receive a dividend but were paid a fixed sum of 168.48p per share on 11 December 2007.

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
Zeros:	NSF LN	GB0030766884	3076688

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. Ordinary shareholders should note that after the redemption of the zero shares the value of assets attributed to ordinary shareholders may be less than their original investment. 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.

