

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about what action you should take, it is recommended that you immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all your Shares in New Star RBC Hedge 250 Index Exchange Traded Securities PCC Limited, please forward this document at once, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

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) Laws 1994 to 1996 and The Protected Cell Companies Ordinance 1997 to 1998 as amended)



Recommended proposal for amendment of the Articles of Association to introduce a share conversion facility

The proposal described in this document is conditional on Shareholder approval. Notice of an Extraordinary General Meeting of the Company to be held at 10.00 a.m. on Monday, 12 March 2007 at Arnold House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3NF, Channel Islands is set out at the end of this document. To be valid, the enclosed Form of Proxy for use at the Extraordinary General Meeting must be completed and returned by Shareholders in accordance with the instructions printed on it, so as to be received by Capita IRG Plc (Proxies) at PO Box 25, Beckenham, Kent, BR3 4BR as soon as possible and, in any event, so as to arrive not later than 10.00 a.m. on 10 March 2007. Completion and return of the Form of Proxy does not preclude the relevant Shareholder from attending and voting in person at the meeting should they wish to do so.

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) Laws 1994-1996 and The Protected Cell Companies Ordinance 1997 to 1998, as amended)

Directors

Christopher Sherwell (*Chairman*)
John Duffield
John Hallam

Registered Office:

PO Box 208
Arnold House
St. Julian's Avenue
St. Peter Port
Guernsey
GY1 3NF
Channel Islands

14 February 2007

To Shareholders

Dear Sir or Madam

EXTRAORDINARY GENERAL MEETING RELATING TO A RECOMMENDED PROPOSAL FOR THE AMENDMENT OF THE ARTICLES OF ASSOCIATION TO INTRODUCE A SHARE CONVERSION FACILITY

Introduction and Background to the Proposal

Following the launch of the Company in October 2006, it has come to the Board's attention that there is a demand amongst Shareholders and market makers in the Company's Shares for the introduction of a mechanism facilitating the conversion of Shares from one Class to another Class within the same Cell. In response to this demand, the Board proposes to incorporate such a mechanism into the Articles of Association.

This document sets out the details of the Proposal and the Extraordinary General Meeting at which your approval of the Resolutions is required to enable the Directors to implement the Proposal. Shareholders are encouraged to complete the Form of Proxy whether or not they wish to attend the EGM and return it to Capita IRG Plc (Proxies) at PO Box 25, Beckenham, Kent, BR3 4BR as soon as possible.

The Proposal

Interest has been expressed by investors and market makers in the introduction of a mechanism facilitating the conversion of Shares between Classes. Moreover, the Board believes that increasing the fungibility of the Shares will aid liquidity in the secondary market, benefiting Shareholders as a whole.

The Board therefore proposes to incorporate a Share conversion mechanism into the Articles of Association.

The details of the Proposal are that, with effect from April 2007, Shareholders will be permitted to submit a written request to the Company (a "Conversion Request") to convert some or all of their Shares of one Class into Shares of any other Class within the same Cell on the first Business Day of January, April, July and October in each year or such other days as the Directors may determine (each a "Conversion Date") by giving at least 5 Business Days' notice (a "Share Conversion").

A Conversion Request must specify the number and Class of Shares to be converted from (the "first Class") and the Class of Shares into which they are to be converted to (the "new Class"), and must be accompanied by either submission of the relevant USE instruction (for Shareholders holding Shares in

uncertificated form in CREST) or the return of the relevant share certificate to the Registrar in the case of Shares held in certificated form. Once given, a Conversion Request will be irrevocable without the consent of the Directors.

Share Conversions will be effected by redeeming the Shares of the first Class and the issue of Shares of the new Class. Shares of the first Class will be converted into Shares of the new Class by reference to the ratio of the most recently published NAV per Share of the relevant Share Classes (the “Conversion Ratio”).

The Board may at any time set a maximum number of Shares of a Class which may be converted on any Conversion Date and may change such maximum in their absolute discretion from time to time. If this limit is exceeded, the number of Shares in a Conversion Request will be reduced *pro rata* and the request for conversion will be deemed not to apply to the balance of the Shares in the Conversion Request.

The New Articles will provide the Directors with the discretion to require the compulsory conversion of Shares of one Class into Shares in another Class within the same Cell or to put forward alternative proposals to the Shareholders which the Directors consider to be in best interests of the Shareholders of the relevant Class and the Company as a whole if the net assets of the relevant Class on a Conversion Date are less than US\$20 million in the case of the 1X Cell and US\$10 million in the case of the 3X Cell (each a “Minimum Threshold”), or would be less than the relevant Minimum Threshold following implementation of Conversion Requests from Shareholders. The Directors may change the Minimum Thresholds at their discretion.

The costs of conversion are expected to be minimal and will be borne by the Company. However, the Directors reserve the right to vary the calculation of the Conversion Ratio such that Shareholders making Share Conversions will bear the costs of conversion.

Where a Shareholder elects to convert Shares he will be unable to deal in those Shares in the period between submitting a Conversion Request and the actual date of conversion. Such period is not normally expected to exceed five Business Days. In addition, under the New Articles, the Directors will also have the discretion to postpone Share Conversions for such period as they see fit.

Under the Proposal, Shareholders will not be permitted to convert Shares in one Cell for Shares in another Cell. Conversions will be intra-Cell only due to the complexities of the swap arrangements employed by the Cells for the purposes of leveraging the Cells’ assets.

Amendments to the Articles

In order to implement the Proposal, the approval of Shareholders is required and certain amendments must be made to the Articles.

It is proposed that the Articles be amended by the insertion of a new Article 8A (*Conversions*) set out in the enclosed Notice of Extraordinary General Meeting.

The full terms of the proposed amendments are set out in the Notice of Extraordinary General Meeting on page 6 of this document. A copy of the full terms of the proposed New Articles is available for inspection at the Company’s registered office from today until the close of the EGM and at the EGM for at least 15 minutes prior to and during the meeting.

Tax consequences

The Directors have been advised that under current UK tax legislation, a conversion of Shares of any Class in the Company into Shares of any other Class or Classes within the same Cell in the Company should not be treated, for the purposes of UK taxation of chargeable gains, as crystallising either any disposal of the converted Class of Shares or any acquisition of the other Class or Classes of Shares. The Shares of the latter Class or Classes should instead be treated, for those purposes, as having been acquired for the same consideration, and at the same time, as the Class of Shares that the Shareholder has chosen to convert, so that the capital gains tax base cost of the Shares arising from the conversion would be the same as the base cost of the Shares which the Shareholder has elected to convert.

If any Shareholder is in doubt as to his/her taxation position he/she is strongly recommended to consult their professional adviser without delay.

Extraordinary General Meeting

Set out on page 6 of this document is a notice convening an EGM of the Company to be held at 10.00 a.m. on Monday, 12 March 2007 at Arnold House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3NF, Channel Islands for the purpose of approving the Proposal. The quorum requirement at the meeting is a person or persons holding or representing not less than one-tenth by number of the issued Shares. If a quorum is not present the meeting will be adjourned to 10.00 a.m. on 26 March 2007. Any Shareholders then present in person at the adjourned meeting will constitute a quorum. Forms of Proxy submitted for the original meeting will remain valid for the adjourned meeting.

If approved, the Proposal will take effect on the date on which the Resolution is passed.

Action to be taken

You will find enclosed a Form of Proxy for use at the EGM. Whether or not you propose to attend the EGM, you are requested to complete and return the Form of Proxy to Capita IRG Plc (Proxies) at PO Box 25, Beckenham, Kent, BR3 4BR as soon as possible in accordance with the instructions printed thereon and, in any event, so that it arrives not later than 10.00 a.m. on 10 March 2007.

Completion and return of the Form of Proxy will not prevent you from subsequently attending and voting in person at the EGM, should you so wish.

Recommendation and voting intentions

The Board are of the opinion that the Proposal and the proposed amendment to the Articles of Association detailed in the enclosed Notice of Extraordinary General Meeting are in the best interests of the Company and the Shareholders as a whole.

Accordingly, the Board unanimously recommends all Shareholders to vote in favour of the resolution to be proposed at the EGM.

Yours faithfully

Christopher Sherwell
Chairman

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Articles of Association” or “Articles”	the articles of association of the Company in force at the date of this document
“Business Day”	any day (except Saturday or Sunday) on which banks in London, Guernsey and Dublin are open for business
“Cell”	a cell created by the Company for the purpose of segregating and protecting cellular assets in the manner provided for in The Protected Cell Companies Ordinance 1997 to 1998, as amended
“Class”	a class of Shares
“Company”	New Star RBC Hedge 250 Index Exchange Traded Securities PCC Limited
“CREST”	the computerised settlement system operated by CRESTCo which facilitates the transfer of Shares
“Directors” or “Board”	the board of directors of the Company
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at 10.00 a.m. on Monday, 12 March 2007
“Form of Proxy”	the form of proxy for use in connection with the EGM
“NAV per Share”	the net asset value of a Share, calculated in accordance with the Articles of Association
“New Articles”	the Articles as proposed to be amended at the Extraordinary General Meeting
“Proposal”	the proposal to introduce a Share conversion facility
“Registrar”	Capita Registrars (Guernsey) Limited
“Resolution”	the resolution to be proposed at the EGM
“Shareholder”	a holder of Shares in the Company
“Shares”	the shares of no par value in the Company designated as ordinary shares by the Directors
“US\$” or “US Dollar”	the lawful currency of the United States of America;
“Valuation Day”	the last Business Day of each month

**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) Laws 1994-1996 and The Protected Cell Companies Ordinance 1997 to 1998, as amended)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the Company will be held at 10.00 a.m. on Monday, 12 March 2007 at Arnold House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3NF, Channel Islands to consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

1. THAT the articles of association of the Company be amended by the insertion after Article 8 of the following:

“Article 8A. Conversions

8A.1 If at any time the Ordinary Shares in issue are divided into separate classes within each Cell, a holder of Ordinary Shares of any Class within such a Cell (the “**first Class**”) may, subject to any restrictions relating to any Class contained in the Specific Terms and Conditions, request the conversion of all or any of such Ordinary Shares into Ordinary Shares of another Class within the same Cell (the “**new Class**”) (a “**Share Conversion**”) with effect from the first Business Day of January, April, July and October (or such other Business Day or Business Days as the Directors may determine in their absolute discretion) in each year (a “**Conversion Date**”) on the following terms:

- (a) the Shareholder shall give to the Company notice of its intention to make a Share Conversion (a “**Conversion Request**”) in such form as the Directors may from time to time determine in their absolute discretion, together with the appropriate share certificate (if issued), at least five Business Days in advance of the relevant Conversion Date. Once received such Conversion Request shall be irrevocable by the Shareholder without the consent of the Directors;
- (b) conversion of the Ordinary Shares of the first Class specified in the Conversion Request shall be effected as set out below:
 - (i) such Ordinary Shares of the first Class shall be redeemed and Ordinary Shares of the new Class shall be issued, such redemption and issue taking place on the relevant Conversion Date; and
 - (ii) the Ordinary Shares of the new Class shall be issued in accordance with the formula in Article 8A.2.
- (c) PROVIDED ALWAYS that the ability of a Shareholder to convert his Ordinary Shares in one Class within a Cell into Ordinary Shares of another Class within the same Cell conferred by this Article shall be conditional upon:
 - (i) the approval of the Directors, which may be withheld at the Directors' discretion;
 - (ii) the discretion of the Directors to scale down Conversion Requests rateably (where appropriate) and defer excess Conversion Requests until such other Business Day or Business Days as the Directors may determine in their absolute discretion;
 - (iii) there being no suspension (under Article 8.3 or otherwise) of the valuation of the Net Asset Value of the Ordinary Shares of the Class being converted or into which conversion is to be made;
 - (iv) all relevant foreign exchange markets being open; and
 - (v) the Company having sufficient available share capital to enable the conversion to be implemented as aforesaid;

and provided further that the Company shall not be bound to convert on any Conversion Date more than such maximum percentage or percentages (if any) of the Ordinary Shares of any Class in issue or deemed to be in issue as determined by the Directors.

8A.2 The Directors shall in their absolute discretion determine the number of Ordinary Shares (and any fraction of an Ordinary Share) of the new Class to be issued on a Share Conversion, in accordance with the following formula:

$$N = \frac{(R \times RP \times CF) - Y}{SP}$$

where:

- N is the number of Ordinary Shares of the new Class to be issued;
- R is the number of Ordinary Shares of the first Class specified in the Conversion Request which the holder of such shares has requested be converted;
- RP is the Net Asset Value per Share of an Ordinary Share of the first Class, as calculated on the Valuation Day immediately prior to the relevant Conversion Date;
- CF is the currency conversion factor determined by the Directors in their absolute discretion on the relevant Conversion Date as representing the effective rate of exchange between the two relevant currencies where the first Class of Ordinary Shares are denominated in a different currency to that of the new Class and, where the assets of the Ordinary Shares of both classes are denominated in the same currency, the currency conversion factor shall be one;
- SP is the Net Asset Value per Share for an Ordinary Share of the new Class, as calculated on the Valuation Day immediately prior to the relevant Conversion Date; and
- Y is the conversion fee (if any) payable on a conversion, as determined by the Directors in their absolute discretion from time to time.

8A.3 The Directors may, in their absolute discretion, dispense with the production of any certificate which shall have become lost or destroyed, upon compliance by the Shareholder in question with the requirements applying in the case of an application for replacement of a lost or destroyed certificate in accordance with these Articles.

8A.4 On the conversion of the Ordinary Shares comprised in a certificate, the Directors shall procure a new certificate or certificates to be issued, free of charge, in respect of the Ordinary Shares of the new Class and in respect of the remaining Ordinary Shares of the first Class (if any) to be sent to the Shareholder.

8A.5 The Directors may in their absolute discretion, by written notice to Shareholders, require the compulsory conversion of Ordinary Shares from one Class to another Class within the same Cell where the Directors consider it to be in the best interests of the Shareholders of the relevant Classes and the Company as a whole if the net assets of the Class whose Ordinary Shares are being converted are less than US\$20 million in the case of the 1X Cell or US\$10 million in the case of the 3X Cell or such other amounts as the Directors in their discretion may determine (each a "Minimum Threshold"), or would be less than the relevant Minimum Threshold following implementation of Conversion Requests received in respect of any Conversion Date (under this Article 8A) and/or repurchase and cancellation of Ordinary Shares (under Article 3.6)."

14 February 2007
By Order of the Board
HSBC Securities Services (Guernsey) Limited
Company Secretary

Registered Office
PO Box 208
Arnold House
St. Julian's Avenue
St. Peter Port
Guernsey GY1 3NF
Channel Islands

Notes:

1. Only Shareholders are entitled to attend or be represented and to vote on the resolutions at this meeting.
2. A Shareholder entitled to attend and vote is entitled to appoint a proxy (or proxies) to attend and, on a poll, vote instead of him. A proxy need not be a Shareholder.
3. A Form of Proxy is provided. Deposit of a Form of Proxy will not prevent a Shareholder from subsequently attending the Extraordinary General Meeting and voting in person.
4. To be effective, a Form of Proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notorially) must be completed, signed and lodged with Capita IRG Plc (Proxies) at PO Box 25, Beckenham, Kent, BR3 4BR not less than 48 hours before the time for holding the meeting or adjourned meeting.
5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those Shareholders registered in the Register of Members of the Company at 10.00 a.m. on 10 March 2007 shall be entitled to attend and vote at the meeting in respect of the number of Shares registered in their name at that time. Changes to the Register of Members after 10.00 a.m. on 10 March 2007 (or, in the event the meeting is adjourned, changes to entries on the register less than 48 hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any person to attend and vote at the meeting.
6. The quorum requirement at the meeting is a person or persons holding or representing not less than one tenth by number of the issued Shares. If a quorum is not present the meeting will be adjourned to 10.00 a.m. on Monday, 26 March 2007. Any Shareholders then present in person at the adjourned meeting will constitute a quorum. Forms of Proxy submitted for the original meeting will remain valid for the adjourned meeting.
7. A copy of the full terms of the proposed New Articles is available for inspection at the Company's registered office from today until the close of the EGM and at the EGM for at least 15 minutes prior to and during the meeting.

FORM OF PROXY

**NEW STAR RBC HEDGE 250 INDEX EXCHANGE TRADED
SECURITIES PCC LIMITED**
(the “Company”)

EXTRAORDINARY GENERAL MEETING OF THE COMPANY

For use by holders of shares (“Shares”) of the Company at an extraordinary general meeting of the Company (the “EGM”) to be held at 10.00 a.m. on 12 March 2007 at Arnold House, St Julian’s Avenue, St Peter Port, Guernsey, GY1 3NF, Channel Islands.

Please complete in block capitals

I/We

of

being (a) holder(s) of Shares of the Company hereby appoint the Chairman of the Meeting (see note 1 below)

.....

to act as my/our proxy/proxies to vote for me/us on my/our behalf at the EGM to be held at 10.00 a.m. on 12 March 2007 and at any adjournment thereof.

I/We direct my/our proxy to vote on the special resolution set out in the notice convening the EGM as follows:

Special Resolution	For	Against
To consent to the passing as a special resolution of the Company and carrying into effect of the resolution making certain amendments to the Articles of Association of the Company set out in the notice convening an Extraordinary General Meeting of the Company for Monday, 12 March 2007 (or any adjournment of such meeting).		

Signed this day of 2007

To be valid, the form of proxy must be lodged with Capita IRG Plc (Proxies) at PO Box 25, Beckenham, Kent, BR3 4BR not less than 48 hours before the time fixed for the meeting.

Notes

1. A holder of Shares (“Shareholder”) entitled to attend and vote is entitled to appoint one or more proxies of his or her own choice. Such proxy or proxies need not be a Shareholder. If such an appointment is made, delete the words “the Chairman of the Meeting” and insert the name(s) of the person(s) appointed proxy in the space provided.
2. If the appointer is a corporation, this form must be under its common seal or under the hand of some other officer or attorney duly authorised on its behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated.
4. Please indicate how you wish to vote by placing an “X” in the appropriate box. If this form is returned without any direction as to how the person appointed shall vote, the proxy/proxies may exercise his/their discretion as to how he/they vote(s) or whether he/they abstain(s) from voting.
5. To be valid, this form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must reach the Company’s registrars at the address overleaf not less than 48 hours before the time fixed for holding the meeting. Completion and return of this form shall not preclude a Shareholder from attending and voting at the meeting in person.
6. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those Shareholders on the register of Shareholders of the Company at 10:00 a.m. on 10 March 2007 (or, in the event the meeting is adjourned, on the register 48 hours before the time of any adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of Shares registered in their name at that time. Changes to entries on the register after 10:00 a.m. on 10 March 2007 (or, in the event the meeting is adjourned, changes to entries on the register less than 48 hours before the time of any adjourned meeting) will be disregarded in determining the rights of any person to attend and vote at the meeting.



Second Fold

Business Reply Service
Licence No. MB122



Capita IRG Plc (Proxies)
PO Box 25
Beckenham
Kent BR3 4BR

First Fold

Third Fold and tuck in