



New Star Asset Management Group PLC

Audited preliminary results for the year ended

31 December 2005

Forward-looking statements

These presentation slides contain forward-looking statements and forecasts with respect to the financial condition and the results of New Star Asset Management Group PLC and its subsidiaries.

These statements are forecasts involving risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future.

There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this presentation should be construed as a profit forecast.

The New Star record

	Operating earnings ⁺ £m	AuM £bn	Increase in operating earnings	Increase in AuM
2001	(4.4)	1.8		
2002	(9.2)	1.9	n/a	6%
2003	10.6	5.9	n/a	211%
2004	25.4	10.7	140%	81%
2005	46.1	16.8	82%	57%

⁺ Operating profit before tax, interest, exceptional items and amortisation of intangibles

Source: New Star. Financial statements/preliminary results

Financial results

	2004	2005	%
	£m	£m	Increase
Turnover	69.2	99.6	44%
Costs	(45.0)	(54.8)	22%
Other operating income	1.3	1.3	-
Operating earnings⁺	25.4	46.1	82%
<i>Operating earnings⁺ per share⁺⁺</i>	<i>8.57p</i>	<i>15.28p</i>	<i>78%</i>
Amortisation of goodwill and intangible assets	(23.0)	(23.2)	
Exceptional items	(5.8)	(3.4)	
Net interest (paid)/received	(3.8)	0.1	
Profit/(loss) before tax	(7.3)	19.6	
Tax	1.5	(1.9)	
Profit/(loss) after tax	(5.7)	17.7	
Profit/(loss) per share ⁺⁺	(1.94)p	5.87p	

⁺ Operating profit before tax, interest, exceptional items and amortisation of intangibles

⁺⁺ Operating earnings per share and profit/loss per share after taxation have been restated in 2004 to take account of the new 100 ordinary New Star Asset Management Group PLC shares issued for every old New Star Asset Management Group Limited share previously held

Source: New Star, audited financial statements

2005 results highlights

		Growth
• Turnover	£99.6m	+44%
• Operating earnings ⁺	£46.1m	+82%
• Operating earnings ⁺ per share	15.28p	+78%
• Operating margin	46%	+24%

AuM	£bn	
• UK mutual funds	7.2	+31%
• International retail	0.3	+213%
• Institutional	7.7	+79%
• Hedge funds	0.8	+88%
• Other ⁺⁺	0.8	+94%
	<hr/> 16.8	<hr/> +57%

Source: New Star, audited preliminary results

⁺Operating profit before tax, interest, exceptional items and amortisation of intangibles

⁺⁺Includes in-house invested funds

AuM inflows

	2004 £m		2005 £m
Opening AuM			10,691
Net inflows		% increase	
UK mutual funds	586	+54%	902
International mutual funds	46	+278%	174
Institutional	1,471	+58%	2,318
Hedge funds	177	+64%	290
Other	8	+575%	54
Total	<u>2,288</u>	<u>+63%</u>	<u>3,738</u>
Market/currency movements			2,161
Movements in in-house invested funds			240
Closing AuM			<u>16,830</u>

Source: New Star management information

Review of results

	2004 £m	2005 £m
Total revenue		
Retail	51.5	64.2
Institutional	7.2	14.8
Hedge ⁺	8.6	17.6
Other	1.9	3.0
	<u>69.2</u>	<u>99.6</u>
Net performance fees included in operating earnings ⁺⁺	2.9	6.3
Staff costs		
Salaries and related costs	17.2	21.2
Performance fees paid to managers	2.4	5.5
Total	<u>19.6</u>	<u>26.7</u>
<i>Average number of staff</i>		
Investment professionals	54	59
Sales, marketing and administration	171	215
	<u>225</u>	<u>274</u>

- Operating margin increased to 46%
- Actual tax rate 4% of operating earnings
- Profit forecast of not less than £43 million exceeded by £3.1 million (7%)

⁺Stated gross of £5.7m (2004 - £2.5m) of performance fees paid away

⁺⁺Operating profit before tax, interest, exceptional items and amortisation of intangibles

Business review

UK retail sales

- Diversified range and sales across product range of 36 mutual funds
 - Property
 - Bonds
 - Equities
 - Funds of funds
- Strong market share - 11.4%, 3rd best seller for net sales⁺
- Numerous fund awards - including winner of Citywire All Stars' awards for second consecutive year⁺⁺

International retail

- Significant investment
 - Funds now registered for sale in 11 countries (with 3 pending)
 - 17 dedicated sales and marketing personnel
 - Two new product launches to meet needs of international investors

⁺Source: IMA net sales for the year to 31 December 2005

⁺⁺ Source: Citywire

Business review (continued)

Institutional

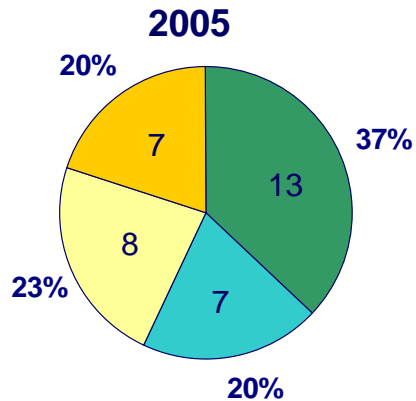
- Strong business growth in EAFE mandates
- Currently EAFE closed to new business
- UK business growing modestly

Hedge funds

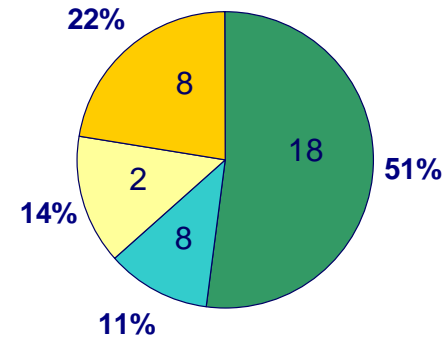
- Approximately £300 million in managed funds
- Widened distribution particularly of managed funds
- New manager recruited for European trading fund

Fund performance

- 57% of UK retail mutual funds were ranked in the top two quartiles of their peer group in 2005+



Since launch/acquisition



■ 1st Quartile ■ 2nd Quartile ■ 3rd Quartile ■ 4th Quartile

- US Institutional⁺⁺

Compound annual returns to 31/12/05	1yr	3yrs	5yrs
New Star Eafe	10.7	22.7	6.5
MSCI Eafe index	14.0	24.2	4.9

- Hedge funds - 2005 return of 16.1% (Managed Hedge, a portfolio of New Star's hedge funds)⁺⁺⁺

⁺ Sources: Lipper, mid to mid, performance to 31 December 2005

⁺⁺ Source: New Star Institutional Managers returns are presented gross of management fees. Composites are valued monthly and portfolio returns are asset weighted using beginning of month valuations.

⁺⁺⁺ Source: New Star, return on Sterling shares to 31 December 2005

Current year/outlook

- AuM at 24 March 2006 more than £18 billion
- Performance of key UK mutual funds is good and has improved for the Higher Income Fund (2nd quartile over all periods of more than one year to 28 February 2006)
- UK mutual fund sales similar to 2005 and on budget
- International mutual fund sales offer growth potential, particularly Europe, and have more than doubled
- Not currently marketing for new international institutional mandates
- Hedge fund growth predominantly expected through sales of managed products and selectively, new managers
- Develop property fund management business

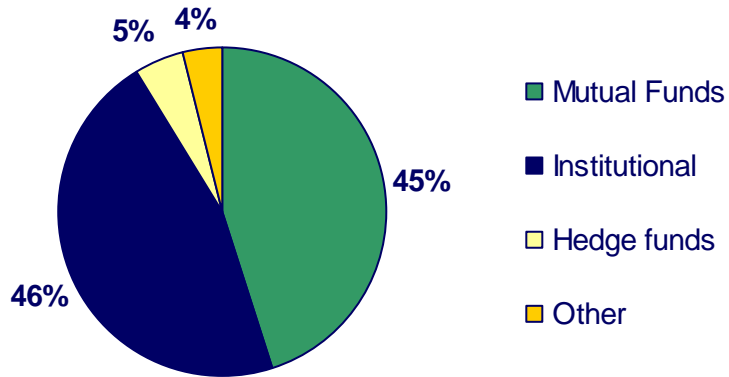
Current year/outlook (continued)

- On course to achieve significant advance in operating profits in 2006 – subject to movements in financial markets and external events
- Earnings per share will benefit from options exercisable in 2006/7
- Expect to increase dividend from the Admission Document forecast of 3p to 5p for the year ending 31 December 2006

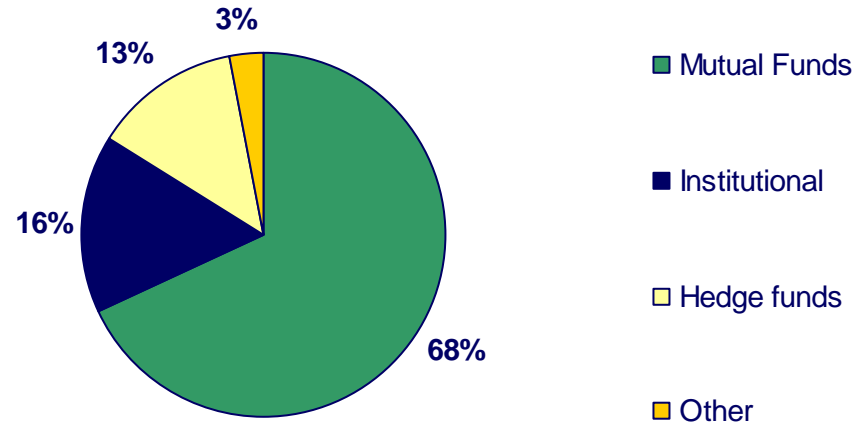
Appendices

Diversified business

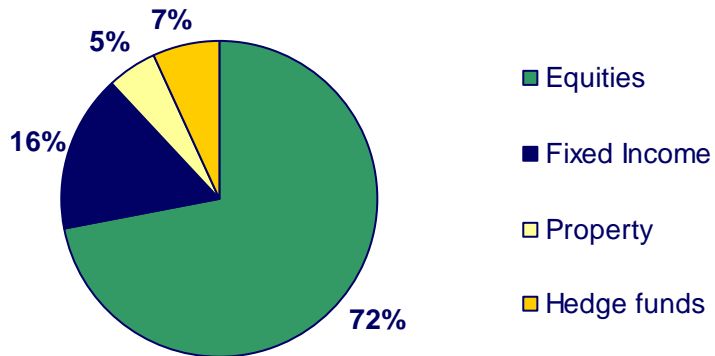
AuM by client category



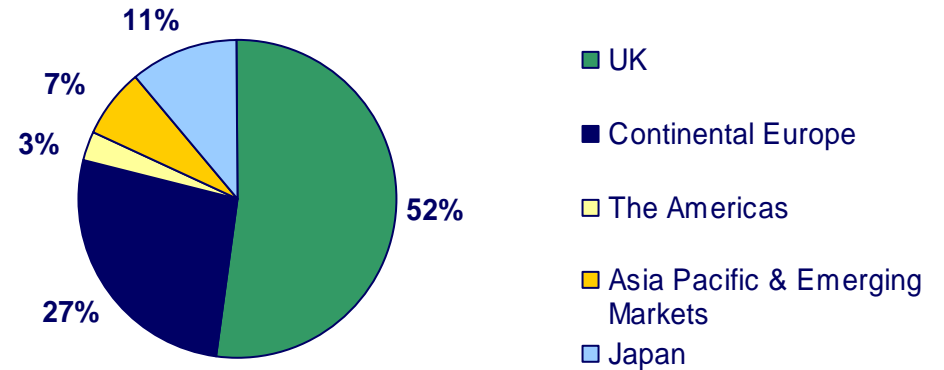
Net turnover+ by client category



AuM by asset class



AuM by geography



Source: New Star management information at 31 December 2005

+ In this chart turnover is analysed net of hedge fund performance fees paid away

Consolidated balance sheet

At 31 December 2005	
£m	
Fixed Assets	
Intangible assets	77.0
Tangible assets	2.6
Investments	6.5
	<hr/>
	86.1
Current Assets	
Shares/units debtors	1.1
Debtors	70.0
Cash and short term deposits	21.1
	<hr/>
	92.2
Creditors: within one year	(69.0)
	<hr/>
Net current assets	23.2
	<hr/>
Total assets less current liabilities	109.3
Creditors: after one year	(9.3)
Provision for liabilities and charges	(0.2)
	<hr/>
Total net assets	99.8
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Net cash	2.0

Staff

At 31 December 2005

By department

Fund management & dealing	63
Management	7
Compliance, finance and risk	27
IT, legal and administration	61
Retail, sales & marketing	79
Operations	41
Private clients	3
Overseas	16

Total

297

By office

London	281
Dublin	6
Bermuda	4
Hong Kong	4
Other	2

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Notes to financials

- Shares in issue at 31 December 2005, 312.9 million
- Intangible assets, that are expected to be deductible for tax purposes, totalled £77 million at 31 December 2005 and will be amortised over the period to 2009 at approximately £23 million per annum
- Accumulated tax losses totalled £17 million at 31 December 2005
- EBT surplus of approximately £19 million
- IFRS to be adopted for 2006 results