

New Star European Growth Fund

Factsheet - October 2008

New Star Investment Funds, 1 Knightsbridge Green, London SW1X 7NE www.newstaram.com



Fund aim

To achieve long-term capital growth. The fund will invest principally in the securities of European companies.

Fund facts

at 30/09/2008

Launched

July 2001

Mid price

83.07p

S&P fund rating AAA

OBSR rating AAA

Fund size

£911.89m

IMA sector

Europe Excluding UK

Type of shares

Accumulation

XD date

1 September

Income allocation date

31 October

Minimum investment

Lump sum

£1,000

Subsequent

£100

Regular savings

£100 per month (£50 per fund)

Fund charges

Initial 5.25%

Annual 1.50%

Fund manager profile - Richard Pease

Richard Pease is director of European equities at New Star and has 24 years' investment experience. He is widely regarded as one of the most talented European excluding the UK fund managers. Prior to joining New Star in 2001, he was a fund manager at Jupiter Asset Management. The New Star European Growth Fund is 'AAA' rated by both Standard & Poor's and OBSR.



Fund manager comment

September was marked by exceptional volatility and sharply falling share prices in response to the banking crisis. Although the fund benefited from being substantially underweight in banking stocks, its performance suffered from its exposure to industrial stocks, which were hit by increasing pessimism about the financial crisis and faltering confidence about economic growth in emerging markets. The New Star European Growth Fund fell 14.4%* while the FTSE Europe excluding UK Total Return Index lost 13%*.

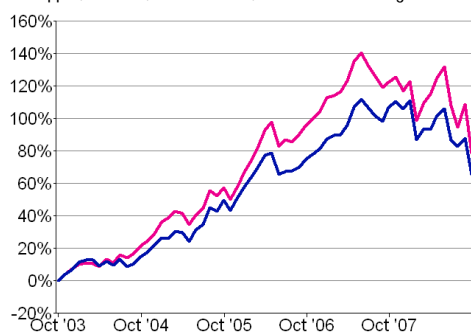
There were a few bright spots within the portfolio amid the general gloom. Brisa rose 10% while BNP Paribas gained 7.5% and Intesa Sanpaolo rose 4.7% as investors perceived them to be among the strongest banks in Europe. Among the weakest stocks, Wincor lost 16%, Fugro fell 21% and Fortum dropped 16% on concerns about the impact of the falling oil price. K+S lost 39% in response to general worries about commodity prices. Over the month, the fund added to positions in Schindler and Fuchs and took partial profits* in Sodexo.

While it is hard not to feel gloomy about the impact of the banking crisis on the wider economy, especially in those countries with too much debt, valuations in some companies have fallen so far as to give almost no value to growth. When the financial system is repaired, conservatively-run companies that generate cash and dividends will be rewarded. In response to this, the fund selectively added to its holdings in companies whose valuations appeared to have over-reacted as a result of increased risk aversion.

Top 10 holdings	(%)	Top 10 countries	(%)	Top 10 sectors	(%)
Sodexo Alliance	3.53	France	20.16	Industrial Engineering	9.96
Sampo	3.27	Netherlands	16.01	Oil & Gas Producers	9.04
Fortum	3.27	Germany	13.48	Banks	8.43
Schindler Holding	3.17	Finland	13.05	Chemicals	7.36
Wolters Kluwer	3.16	Switzerland	8.66	Food & Drug Retailers	7.09
Actelion	3.11	Italy	4.80	Construction & Materials	4.87
Kone	2.91	Belgium	3.52	Pharmaceuticals & Biotech	4.75
Wincor Nixdorf	2.83	Norway	3.19	Oil Equipment & Services	4.64
Total	2.73	Sweden	2.46	Travel & Leisure	4.25
Royal Dutch Shell	2.70	Ireland	2.06	Non-Life Insurance	3.27
Total number of holdings	56			Cash & other	8.47%

Performance

Percentage growth, 30 September 03 to 30 September 08.
Source: Lipper, mid-mid, UK basic rate, based in UK sterling.



■ New Star European Growth Fund (78.57)
■ IMA Europe Excluding UK (65.36)

Sector ranking	Sector position	Quartile ranking†
Since launch 23/07/2001	5/75	1st
6 months	73/113	3rd
1 year	24/107	1st
3 years	22/96	1st
5 years	9/87	1st

Source: Lipper, mid-mid, net income reinvested at 30/09/08.

† 1st quartile means the fund is ranked in the top 25% of funds in its sector.

Discrete year performance	Fund performance
30/09/2003 to 30/09/2004	21.7%
30/09/2004 to 30/09/2005	29.4%
30/09/2005 to 29/09/2006	24.3%
29/09/2006 to 28/09/2007	13.5%
28/09/2007 to 30/09/2008	-19.7%

Source: Lipper, mid-mid, net income reinvested.

Market capitalisation (%)

Large	46.54
Mid	41.14
Small	3.85

Sedol number

3061770 (Retail)

3061769 (Institutional)

Past performance is not necessarily a guide to future performance.

*Performance figures are on a mid-mid basis, net income reinvested to 30/09/08. Source: Lipper, except company performance, which comes from Datastream. The value of investments and any income from them may fall as well as rise and may also increase or decrease as a result of changes in exchange rates between currencies. Investors may not get back the amount originally invested. Exposure to a single geographical area may increase potential volatility. This document is provided for the purpose of information only. The opinions expressed here are the fund manager's at the time of production and should not be interpreted as investment advice. Any income allocated has tax deducted at a rate of 10%. The simplified prospectus and full prospectus for this fund are available from New Star on request. New Star Investment Funds is the trading name of New Star Investment Funds Limited, part of the New Star Marketing Group. New Star Investment Funds is not authorised to give investment advice and only provides information on New Star's products. Issued by New Star Investment Funds Limited. Authorised and regulated by the Financial Services Authority.