

New Star Managed Distribution Fund

Factsheet - October 2008

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



Fund aim

To achieve long-term income and capital growth. The fund will invest principally in fixed interest securities and in equities both in the UK and internationally.

Fund facts at 30/09/2008

Launched
March 2003

Mid price
45.86p (Inc) 58.80p (Acc)

Fund size
£335.91m

IMA sector
Cautious Managed

Type of shares
Accumulation/Income

XD date
1 March, 1 June, 1 September,
1 December

Income allocation/payment dates
30 April, 31 July, 31 October,
31 January

Gross income yield *
7.91%

Gross redemption yield *
9.36%

Minimum investment

Lump sum
£1000

Subsequent
£100

Regular savings
£100 per month (£50 per fund)

Fund charges

Initial 5.00%
Annual 1.25%

| Asset split (%) | |
|-----------------|-------|
| Equity | 29.75 |
| Bond | 71.09 |

| Market capitalisation (%) (% of equity component above) | |
|--|-------|
| Large | 21.90 |
| Mid | 7.44 |
| Small | 0.41 |

Sedol numbers
3237043 (Retail Income)
3365524 (Retail Accumulation)
3237032 (Institutional Income)
3365535 (Institutional Accumulation)

Fund manager profile - Gregor Logan

Gregor Logan, New Star's joint chief investment officer and lead manager of the New Star Managed Distribution Fund, joined New Star in 2004. He has 30 years' investment experience. Gregor was previously chief investment officer of Pavilion Asset Management and MGM Assurance, prior to which he worked for 13 years at Fidelity International. Trevor Green is responsible for stock selection of the equity component of the portfolio, whilst James Gledhill has responsibility for the fixed income component.



Fund manager comment

September was a particularly difficult month for financial markets. The FTSE All-Share Total Return Index fell 13.2%#, its worst monthly performance since October 1987. In the US, Lehman Brothers, the investment bank, fell into insolvency, the two state-sponsored mortgage underwriters, Fannie Mae and Freddie Mac were effectively nationalised, while the insurer AIG was part-nationalised and given an \$85 billion state loan. In the UK, Bradford & Bingley, the troubled buy-to-let mortgage lender, was nationalised and Lloyds TSB announced an agreed all-paper takeover of HBOS. The global economic and financial crisis gained momentum, with money markets stalling as the banks' nervousness reached extreme levels. Defensive sectors outperformed over the month including food retailers, tobacco and utilities as investors sought areas of the market that offered protection in these uncertain times. Global growth sectors underperformed, with mining and industrial engineering being two of the worst performers. The fund benefited from its large equity positions in utility and tobacco stocks. Transactions included the addition of HMV, Catlin and Reed Elsevier. At the same time, the equity holdings in Vodafone, Scottish & Southern Energy and Tullett Prebon were reduced. The direct exposure of the fund's bond portfolio to defaults has been limited. Bank debt, including more senior bonds, fell significantly last month, however, dragging down the prices of other fixed interest assets. In addition, the interbank lending market deteriorated further. This had negative short-term funding implications for banks and increasingly affected other companies.

Top 10 holdings

| | (%) |
|----------------------------|------|
| Royal Dutch Shell | 2.48 |
| HSBC Holdings | 2.47 |
| BP | 2.37 |
| Edcon Proprietary FRN 2014 | 1.76 |
| National Grid | 1.60 |
| Lottomatica 8.25% 2016 | 1.57 |
| Ardagh Glass 7.125% 2017 | 1.54 |
| Vodafone Group | 1.51 |
| Versatel FRN 2014 | 1.50 |
| Louis No1 8.5% 2014 | 1.44 |

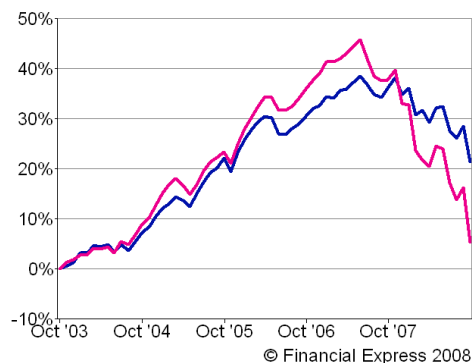
Total number of holdings 193

Top 10 sectors

| | (%) |
|-----------------------------|------|
| Oil & Gas Producers | 5.45 |
| Banks | 4.10 |
| Gas Water & Multi-utilities | 2.78 |
| Pharmaceuticals & Biotech | 2.23 |
| Mining | 1.65 |
| Tobacco | 1.63 |
| Travel & Leisure | 1.54 |
| Mobile Telecommunications | 1.51 |
| Aerospace & Defence | 1.15 |
| Industrial Engineering | 0.92 |

Performance

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



■ New Star Managed Distribution Fund (5.28)
■ IMA Cautious Managed (21.35)

Past performance is not necessarily a guide to future performance.

Credit rating

Source: Composite Moody's, Standard & Poor's, Bloomberg

| Investment grade | % |
|------------------|--------------|
| Gills | 0.00 |
| AAA | 0.33 |
| AA | 2.97 |
| A | 10.39 |
| BBB | 8.09 |
| Total | 21.78 |

| Sub investment grade | % |
|----------------------|--------------|
| BB | 10.54 |
| B | 26.60 |
| CCC and below | 5.91 |
| Total | 43.05 |

Other 6.26%

Foreign exchange contracts -1.57%

Cash 0.73%

| Sector ranking | Sector position | Quartile ranking† |
|-------------------------|-----------------|-------------------|
| Since launch 03/03/2003 | 29/34 | 4th |
| 6 months | 115/118 | 4th |
| 1 year | 110/111 | 4th |
| 3 years | 71/71 | 4th |
| 5 years | 38/40 | 4th |

Source: Lipper, mid-mid, income shares, 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 | 9.0% |
| 30/09/2004 to 30/09/2005 | 13.2% |
| 30/09/2005 to 29/09/2006 | 10.1% |
| 29/09/2006 to 28/09/2007 | 1.4% |
| 28/09/2007 to 30/09/2008 | -23.6% |

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

#Performance figures are on a mid-mid basis, net income reinvested to 30/09/08. Source: Lipper. *Yields are net of charges and gross of tax and are not guaranteed. Half of the annual management charge of the New Star Managed Distribution Fund is taken from capital; this may result in capital erosion of your initial investment. The New Star Managed Distribution Fund may invest a proportion of its portfolio in higher yielding bonds, which pose a greater risk of capital loss through default. 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 the exchange rates between currencies. Investors may not get back the amount originally invested. 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 20%. 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.