

# New Star UK Alpha Fund

## Factsheet - October 2008

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



### Fund aim

To achieve capital growth through a relatively concentrated portfolio. The fund will invest principally in the securities of UK companies.

### Fund facts

at 30/09/2008

### Launched

November 2001

### Mid price

75.89p

### S&P fund rating AA

### OBSR rating AA

### Fund size

£369.76m

### IMA sector

UK All Companies

### 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 - Tim Steer

Before joining New Star in 2001, Tim Steer established himself as one of the most successful company analysts in the UK medium-sized and smaller company sectors, an area in which he has 20 years' experience. Tim follows a 'best of the best' approach to the management of the UK Alpha Fund. Tim is a qualified chartered accountant. The New Star UK Alpha Fund is 'AA' rated by Standard & Poor's and 'AA' rated by OBSR.



### Fund manager comment

September was an exceptionally difficult month for the New Star UK Alpha Fund, which fell 20.4%\* while the FTSE All-Share Total Return Index lost 13.2%\*. The portfolio suffered badly from the shocks caused by the failures of Freddie Mac, Fannie Mae, Lehman Brothers, AIG and Merrill Lynch in the US and Congress's delay in approving the White House's "troubled asset relief programme". In the UK, the fund had to deal with issues resulting from the Financial Services Authority's decision to ban the shorting of financial stocks as well as problems with UK banks generally.

Deleveraging by hedge funds caused particular problems. As a result of deleveraging, popular hedge fund long positions – mainly global growth companies – fell while popular short stocks rose as a result of short covering. The fund focuses on global growth companies while avoiding UK consumer-related stocks. This approach caused losses in September but has worked well in the past and should deliver good relative returns in the future. In particular, with credit availability at risk, the fund aims to avoid companies that rely on consumer spending and those with high borrowings.

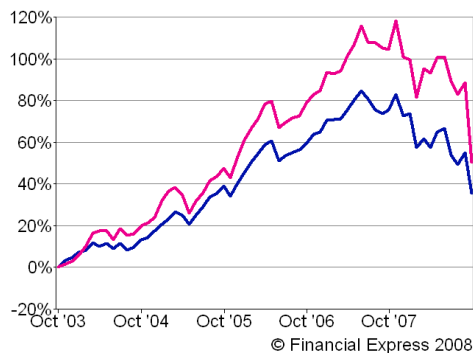
Last month's underperforming stocks included Weir Group, Charter, Laird and Game Group, which were weak despite positive news. Weir Group issued an upbeat trading statement, Charter performed well in emerging energy markets, Laird benefitted from exposure to growing emerging markets, while Game Group increased guidance and announced record interim results.

In response to these exceptionally difficult markets, the fund increased its cash holdings during September from 6% to 9%.

Top 10 holdings	(%)	Top 10 sectors	(%)
BAE Systems	5.47	Aerospace & Defence	18.29
Game Group	4.27	Support Services	10.71
Babcock International	3.67	Industrial Engineering	8.93
Tesco	3.60	Travel & Leisure	8.12
Croda International	3.58	Oil & Gas Producers	6.94
FirstGroup	3.05	General Retailers	5.91
VT Group	2.95	Chemicals	5.66
BG Group	2.95	Electronic & Electrical Equipment	4.35
Ultra Electronics Holding	2.74	Oil Equipment & Services	3.71
Spirax-Sarco	2.72	Food & Drug Retailers	3.60
<b>Total number of holdings</b>	<b>55</b>	<b>Cash &amp; other</b>	<b>11.52%</b>

### Performance

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



■ New Star UK Alpha Fund (50.28)  
■ MA UK All Companies (35.35)

Sector ranking	Sector position	Quartile ranking†
Since launch 12/11/2001	15/209	1st
6 months	315/333	4th
1 year	240/328	3rd
3 years	66/283	1st
5 years	41/251	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	19.8%
30/09/2004 to 30/09/2005	23.2%
30/09/2005 to 29/09/2006	21.1%
29/09/2006 to 28/09/2007	14.4%
28/09/2007 to 30/09/2008	-26.5%

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

### Market capitalisation (%)

Large	19.62
Mid	61.18
Small	7.68

### Sedol numbers

3095694 (Retail)

3095683 (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. An average OEIC sub-fund will invest into 80 to 150 different companies. The New Star UK Alpha Fund typically holds more of a concentrated portfolio. While increasing potential reward, the nature of this fund can increase risk. As such, the fund may be more volatile and will be impacted more by fluctuations in the value of the underlying stocks. 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.