

New Star Euro High Yield Fund

Irish authorised OEIC, UCITS III compliant
at 31 July 2008

www.newstaram.com



Fund managers



James Gledhill



Nick Hayes



Fund statistics

All information in this factsheet refers to the retail share class (re-invested). An institutional share class (in €) is also available.

NAV (per share)

€ class €4.76

Fund size €22.5m

Running yield 7.45%

Redemption yield 9.62%

Fund at a glance

Fund aim

High level of income with modest long-term capital appreciation principally through investments in fixed and variable rate and index related euro denominated debt securities worldwide issued by corporates and governments.

Investment style

- Blended credit fund with a neutral mix of 55% sub-investment grade and 45% investment grade bonds;
- Proven investment process combining economic analysis with individual credit analysis;
- Wide diversification across individual securities and sectors to minimise the impact of an individual default.

Launch date 10.10.2005

Base currency Euro

Payment Dates Within 15 business days of each quarter

XD dates 01.03.2008, 01.06.2008, 01.09.2008, 01.12.2008

Minimum investment and holding €5,000

Management fee 1.25% per annum

Subscription fee up to 5.25%

Redemption/switching fees Nil

Valuations Daily

Subscriptions/redemptions Daily

NAV Publications FT, Morningstar, www.newstaram.com

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Registration UK, Ireland, France, Spain, Italy, Netherlands, Malta, Denmark, Sweden, Finland, Luxembourg Hong Kong, Singapore†

†recognised

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Performance since launch (%)



— New Star Euro High Yield Fund (-4.82%)

Performance overview (%)

	July 2008	Year to date	1 year	Since Launch
€ class	-0.26	-6.10	-7.77	-4.82

	2007	2006
€ class	-3.37	4.45

Top 10 holdings (%)

GOVERNMENT OF FRANCE 4.25% 25/10/2017	1.80
ZURICH FINANCE 4.5% 17/09/2014	1.74
BELGACOM 4.375% 23/11/2016	1.73
BOUYGUES 4.75% 24/05/2016	1.65
IMPERIAL TOBACCO FINANCE 4.375% 22/11/2013	1.63
WELLS FARGO 4.125 03/11/2016	1.60
COGNIS DEUTSCHLAND 9.5% 15/05/2014	1.57
IVG IMMOBILIEN 8% 29/05/2049	1.53
GAZ DE FRANCE 5.125% 19/02/2018	1.49
RWE FINANCE 4.625% 23/07/2014	1.48

TOTAL HOLDINGS 92

CASH IN PORTFOLIO 4.01%

Credit ratings

Investment grade(%)

Bunds	5.24
AAA	-
AA	7.99
A	19.96
BBB	16.49
Total	49.68

Sub-investment grade(%)

BB	11.45
B	23.89
CCC	5.85
Total	41.19
Other	5.12
Cash	4.01

Fund management commentary

Government bonds rallied significantly during July following a period of rising yields. As had been expected, the European Central Bank (ECB) raised its repo rate from 4% to 4.25% but market participants now expect there will be a period of interest rate stability within the eurozone. It is clear that the ECB's main focus is on controlling inflation rather than stimulating economic growth, with the eurozone's Consumer Prices Index (CPI) measure at 4% and the core CPI at 1.8%. The global economic growth slowdown, however, seems to require rate cuts. Financial institutions continued to absorb pain last month, with government-sponsored enterprises in the US such as Freddie Mac and Fannie Mae coming under the spotlight and causing big equity falls.

Corporate bond markets generally followed the equity markets lower last month, with banking bonds the weakest. The fund's higher holding

in government bonds offered some protection for the weaker position in bank credit. The high-yield bond market was again weak, although conditions were not as severe as in June. Disappointingly, the corporate bond market did not recover much of its losses towards the end of the month when equities rallied in response to the falling oil price. This may in part be due to the poor liquidity, which may not improve until the end of summer. Oil fell from a July high of \$145 to below \$120 in early August. This may go some way to curbing inflation and allow central banks to concentrate on the weakening economic backdrop.

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