

**23 March 2006**

### **A further \$95.2 million raised for New Star's unique hedge fund security**

New Star Asset Management ("New Star") is pleased to announce it has raised an additional \$95.2 million for a second tranche of Hedge ETS. This brings the total size since launch in November 2006 to approximately \$253 million.

Monies were raised from more than 20 countries including UK, Spain, Switzerland, Hong Kong, Singapore, the Middle East and South America.

Commenting on Hedge ETS' continued success, Ravi Anand, Director at New Star Asset Management, said:

"We are delighted to have raised a further US\$95.2 million for Hedge ETS. A variety of investors including institutional and clients of private wealth managers supported the issue. We continue to see considerable demand for alternatives from our clients and further tranches of Hedge ETS will be offered to meet such demand.

Hedge ETS offers a truly diversified pool of hedge funds selected on a non-discretionary basis. The diversification benefits of Hedge ETS are illustrated through its positive performance through the recent market turbulence."

### **Hedge ETS**

Hedge ETS is a London listed security, providing access to performance representative of the hedge fund asset class through investment exposure to the RBC Hedge 250 Index<sup>®</sup> (the "Index").

The Index was launched on 1 July 2005 and is designed to be a representative, investable benchmark of the performance of the hedge fund asset class. The Index has the following key features:

- extensive diversification across over 250 hedge funds and nine distinct strategies;
- asset-weighted by strategy, approximately equally-weighted initially by hedge fund;
- rules-based construction methodology designed to emphasise inclusiveness and minimise selection bias;
- inclusive selection criteria which results in the inclusion of hedge funds which may have lock-ups, redemption gates, low liquidity and which are presently closed to investment;
- total assets under management of the hedge funds in the Index were US\$206 billion (1 January 2007), representing approximately 20% of industry hedge fund assets under management.

## Performance of the Index

Since its inception on 1 July 2005 to 28 February 2007, the Index has closely tracked returns on hedge funds and outperformed other recognised hedge fund investable indices.

	<b>Annualised return</b>	<b>Volatility</b>
RBC Hedge 250 Index <sup>®1</sup>	11.3%	3.7 %
Average Non-Investable Index <sup>2</sup>	13.0%	4.0 %
Average Investable Index <sup>3</sup>	8.7%	3.1 %

<sup>1</sup> Returns are net of monthly Index fee of 1/12 of 0.95 per cent. of the beginning of month Index level. US\$ returns to 28 February 2007, data sourced on 22 March 2007. Source: Index returns - RBC Capital Markets, calculations - Mellon Analytical Services.

<sup>2</sup> Average Non-Investable Index does not include any index fees and is an equal weighting of the HFRI Fund Weighted Composite Index and Credit Suisse/Tremont Hedge Fund Index. US\$ returns to 28 February 2007, data sourced on 22 March 2007. Source: Index returns - Bloomberg, calculations - Mellon Analytical Services.

<sup>3</sup> Average Investable Index is net of estimated index fees and is an equal weighting of the HFRX Global Hedge Fund Index, MSCI Hedge Invest Index and Credit Suisse/Tremont Investable Hedge Fund Index. US\$ returns to 28 February 2007, data sourced on 22 March 2007. Source: Index returns – Bloomberg, calculations - Mellon Analytical Services.

Shares were issued under a global placing (outside US) and a public offer in the UK. UBS Investment Bank acted as sponsor to Hedge ETS. Royal Bank of Canada Investment Management (UK) Ltd and UBS Investment Bank acted as placing agents. Additional tranches of shares are expected to be issued in the future.

Dealings in shares are expected to commence on the London Stock Exchange on 27 March 2007.

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### Notes to Editors:

1. New Star Asset Management is an asset management group, listed on the London Stock Exchange's Alternative Investment Market with US\$41.3 billion of assets under management (at 29 December 2006), including approximately US\$1.9 billion in hedge funds (at 28 February 2007). New Star manages Hedge ETS and undertakes regular due diligence on the Index. New Star receives an investment management fee of 0.85 per cent. per annum of the net asset value of the 1X shares and 1 per cent. per annum of the net asset value of the 3X shares.
2. There are approximately 9,000 hedge funds globally with approximately US\$1 trillion of assets (source: Hedge Fund Association). The average non-investable hedge fund index references approximately 1,600 hedge funds whereas the average investable hedge fund index references approximately 90 hedge funds (source: see notes 2 and 3 above).
3. Hedge ETS is a unique security offering the ability to redeem shares close to net asset value and 1X (unlevered) shares and 3X exposed shares. Hedge ETS obtains exposure

to the Index through a contract with Royal Bank of Canada and is subject to a management fee.

4. The composition of the RBC Hedge 250 Index at 28 February 2007 was:

<b>Strategy</b>	<b>Weight</b>	<b>No. of funds</b>
Equity Long/Short	37.29%	93
Multi-Strategy	14.82%	36
Credit	12.14%	31
Merger & Special Situations	10.90%	27
Macro	9.09%	23
Managed Futures	5.75%	15
Fixed Income Arbitrage	5.11%	14
Convertible Arbitrage	2.39%	9
Equity Market Neutral	2.50%	7
Total	100.0%	255

Further information on the Index can be found at [www.rbchedge250.com](http://www.rbchedge250.com)

5. Hedge ETS is the brand name for shares issued by the 1X and 3X cells of New Star RBC Hedge 250 Index Exchange Traded Securities PCC Limited, a Guernsey based investment company which will enter into a swap with Royal Bank of Canada to provide exposure to the Index.
6. In order to assist in the management of any discount to net asset value, up to 14.99 per cent. of the shares in issue may be purchased in the market. In addition, each shareholder will have the opportunity to redeem up to 100 per cent. of their shares at close to net asset value, on the first business day of January or July in each year, subject to providing at least 120 days' prior notice and the Hedge ETS directors exercising their discretion to offer redemptions

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