



REASONS WHY

THE NEW STAR INDIAN EQUITY FUND

Suggested content for inclusion in “Reasons Why” letters to be issued by professional advisers. It is the responsibility of individual professional advisers to ensure that any “Reasons Why” letter prepared for investors fully complies with all regulatory requirements. The following notes are for information purposes only and should not be considered as investment or tax advice.

Why invest in India

Strong and sustainable economic growth

India is one of the world’s largest and fastest growing economies and studies show it has the long-term potential to grow faster than the three other rapidly-growing BRIC countries – Brazil, Russia and China. Its economy is largely driven by domestic consumption, with a relatively small proportion of economic growth reliant on exports. As such, the economy may be much better placed than those of most other countries to withstand any US or global economic slowdown.

The world’s largest democracy with stable institutions

India may not be the world’s most populous country – that title goes to China – but its 1.1 billion people provide India with a crowning statistic – it is the world’s largest democracy. In itself that does not guarantee investment success but it does mean that India has a tradition of political accountability, which provides a more reassuring investment climate in terms of legal and property rights and standards of corporate governance.

A favourable demographic profile

India’s population may be large but its age profile is more significant in terms of economic potential. Approximately 60% of India’s population is aged below 30, creating a huge pool of potentially productive labour. A young workforce should provide the labour and entrepreneurialism to drive the country forward, leading to further urbanisation and growth of its middle class.

A beacon for investment

The country’s large pool of graduates, its relatively cheap workforce and the prevalence of the English language have made it a natural home for offshore activities in which companies outsource some of their operations overseas. The country is already recognised as one of the world’s leading technology centres and has attracted both large foreign companies as well as developing home-grown multinationals. Levels of foreign direct investment rose from US\$2 billion at the start of the decade to more than \$16 billion in 2006-2007.

A wealth of choice

India has almost 5,000 listed companies and with some of the highest returns on equity in Asia, its companies provide investors with considerable opportunities as India seeks to modernise its economy. Indian companies are not only growing rapidly from bringing telecommunications, consumer goods and even car ownership to the masses. They are also providing the country’s basic infrastructure – the government is actively seeking private sector participation in a \$475 billion programme of spending on infrastructure to meet the country’s transport and power requirements.

The New Star Indian Equity Fund

The New Star Indian Equity Fund offers investors the opportunity to take advantage of India’s exceptional growth potential. Recognising the importance of local knowledge, New Star has entrusted the investment management of the fund to Tata Asset Management (Mauritius) Private Limited, part of one of India’s fastest growing asset management groups.

The fund will invest in a relatively focused, actively-managed selection of India’s leading companies, many of which are well-established global businesses. It will seek to take advantage of the growth opportunities in the Indian economy and sectors focused on infrastructure and domestic consumption are expected to continue to grow robustly.

Carefully designed fund structure provides investment flexibility

The New Star Indian Equity Fund is a Luxembourg-based Société d’Investissement à Capital Variable (SICAV). The SICAV wholly owns a Mauritian subsidiary to provide the fund with a high degree of investment flexibility. Normally, non-domestic funds that invest in India are liable to pay tax when securities that are held for less than a year are sold. These tax charges have been implemented by the Indian authorities to limit the potentially damaging impact of international speculators on the Indian market and encourage longer term investment. Historically, managers of Indian funds have been influenced by these restrictions when implementing trading decisions and this may affect a fund’s ultimate performance. The structure of the New Star Indian Equity Fund allows the manager to trade more effectively by reducing the fund’s exposure to the additional taxation, freeing the manager to base investment decisions on the fundamental prospects for a chosen security.

Please note there is no assurance that any future changes to the India-Mauritius Treaty or future interpretations of the India-Mauritius Treaty will not adversely affect the tax position of the subsidiary’s investments in India.

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THE NEW STAR INDIAN EQUITY FUND

Fund Facts

Type of fund:

Luxembourg-based SICAV

Base currency of fund:

US dollar

Share class currency:

GBP share class, Euro share class, US dollar share class

Type of shares:

Income – known as distribution shares in Luxembourg. Any income available for distribution will automatically be reinvested to purchase further shares.

XD Date:

1 April

Distribution reinvestment date:

31 July

Charges
Initial charge:

5.00%

Annual management charge:

1.50%

The annual management charge will be charged against the income from the fund.

Minimum investment
Lump sum:

£3,500 (€4,000, \$5,000)

Subsequent:

£500 (€700, \$1,000)

Growth at a reasonable price

The fund aims to buy growth at a reasonable price, an approach which the manager believes is particularly appropriate in a high-growth economy such as India. The technology bubble and subsequent fallout at the start of this decade highlighted the importance of paying a reasonable price for growth and establishing value based on traditional yardsticks such as price earnings ratios and free cashflow yields. This analysis has significant impact on the risk/reward ratio of the investments.

About Tata Asset Management (Mauritius) Private Limited

As the investment manager of the New Star Indian Equity Fund, New Star has appointed Tata Asset Management (Mauritius) Private Limited as the sub-investment manager to the fund. Tata Asset Management (Mauritius) Private Limited is a 100% owned subsidiary of Tata Asset Management Limited, part of the Tata Group.

Tata Asset Management Limited

Tata Asset Management (Mauritius) Private Limited has appointed Tata Asset Management Limited to provide them with non-binding, non-exclusive investment advice.

Tata Asset Management Limited is part of the Tata Group, one of India's largest private-sector conglomerates and one of the country's most trusted companies, with the highest reputation for integrity and professionalism.

- One of India's fastest growing asset managers, with expert knowledge of the Indian market
- Established in 1995, with approximately \$6 billion under management at 31 March 2008
- Disciplined investment process seeking growth at a reasonable price (GARP)
- Strong risk-management framework
- Part of the Tata Group, which has a presence across all major sectors of the Indian economy

Join the New Star success story

Since our retail launch in 2001, New Star has become established as one of the leading providers in the UK retail fund management industry. Our group funds under management total £20.3 billion*, while the number of individual holdings in our retail funds has risen to approximately 900,000. The shares of New Star Asset Management are quoted on the London Stock Exchange.

Important Information

This document is for professional advisers only and should not be relied upon by private investors.

Past performance is not necessarily a guide to future performance. The value of investments may fall as well as rise and investors may not get back the amount originally invested. The fund invests in securities outside the UK, the value of investments may therefore increase or decrease as a result of changes in exchange rates. The fund invests in stocks from a single geographic region, which can lead to more volatility. Where investment is made in emerging markets their potential volatility may increase the risk to the value of the investments. An average UK OEIC fund will invest in 80 to 150 different companies, however, the New Star Indian Equity 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.

The New Star Indian Equity Fund is a Luxembourg-based SICAV compliant with UCITS and recognised in the UK under Section 264 of the Financial Services and Markets Act 2000. There will be no right to cancel any agreement to purchase shares under section 6.7 of the UK Financial Services Conduct of Business Sourcebook. Compensation will not be available under the UK Financial Services Compensation Scheme and access to the Financial Ombudsman Service may be limited.

This document is provided for the purpose of information only. The opinions expressed here represent the views of the investment manager at the time of preparation and should not be interpreted as investment advice. The information contained within this document is accurate at 31.03.08 unless otherwise stated. For the latest information on New Star funds please visit our website, www.newstaram.com.

For your protection, telephone calls may be recorded and monitored.

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*At 18 March 2008.