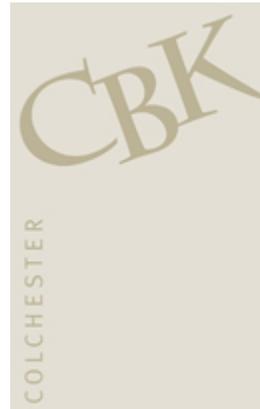


## **New Star concerns**

**December 2008**



I write with reference to our concerns regarding the Investment House of New Star. They have been experiencing some corporate difficulties of late which have led to a proposed corporate restructure.

As a result, New Star intends to de-list and a syndicate of banks is expected to take ownership of 75% of the share capital. Although this action will lessen the immediate concerns over the survival of the Investment House, banks are not normally in the business of holding equity and it creates some doubts over New Star's long term future.

The fund managers of the various funds are, in the main, very experienced and historically have good track records although, some of late have tended to under perform their sector.

Our concern is that with this uncertainty, it is exceeding difficult for the fund managers to manage such situations in volatile markets which look set to continue for some time to come. Furthermore, any corporate uncertainty means that the top fund managers could be tempted away to other investment houses.

You will be aware that our strategy is to focus on funds long term quality as opposed to short term trends, particularly because high levels of current short term volatility being displayed in investment markets at present means performance data is being distorted due to extraordinary circumstances. It is therefore typically our intention to wait for a reasonable period of stability (not necessarily recovery) before making rational decisions based upon how funds have performed. However, the uncertainty surrounding the corporate structure of New Star means that believe action should be taken now.

My recommendation is that you switch out of your New Star holding(s) and as opposed to switching to a similar type of fund with a different Investment House; I suggest your holding be switched to a Money Market fund. This will act as a temporary low volatile haven until market stability returns and an alternative long term strategy can be established.

I propose the M&G High Interest fund. The objective of the fund is as follows:

*To provide income with stability of capital by investing in fixed interest securities that fit the purposes of the Scheme. These may include (but are not restricted to) floating rate notes, gilts, Treasury Bills and other instruments traded on the London Discount Market.*

Please note that because a Property Fund is largely invested in commercial property the fund is very illiquid. What this means in practice is that it may not be possible to realise a significant proportion of the investment at any one time and in adverse market conditions it may take some months for your assets to be realised. This would be particularly true if a large number of investors are attempting to realise assets at the same time

*Past performance is not a guide to future performance. The value of investments and the income from them can go down as well as up, and it may be effected by exchange rate fluctuation and the investor may not get back the amount invested.*