



New Star

# International Property Fund

January 2010

Questions & Answers relating to the re-opening of daily dealing and future management of the fund.

# Questions & Answers

## Background to the re-opening of the fund to daily dealing

### 1. When will the fund re-open?

The date for the re-opening of the fund is **Friday 12 February 2010**.

### 2. Why are there a number of weeks between your providing notice of the re-opening and the actual date of the re-opening?

Discussions with clients revealed this would provide an appropriate amount of time for the investor and advisory community to have sufficient notice of the re-opening to be able to make informed decisions.

### 3. Why are you confident the fund can re-open on this date?

Through a process of asset sales the fund managers have been able to restore the liquidity buffer of cash on the fund. We have deliberately aimed for a high level of liquidity so that the fund can meet existing and anticipated redemptions. After paying back those investors who have already expressed a desire to redeem, we anticipate the fund will have more than 20% liquidity. We cannot predict the future with total certainty but we are confident that this liquidity buffer should be enough to maintain daily dealing on the fund and allow for day-to-day running of the fund. We are encouraged by feedback from discussions with investors who wish to remain in the fund and the brighter outlook for international commercial property, so we anticipate redemptions diminishing after the initial re-opening.

### 4. Are there any other factors that support the re-opening of the fund?

Three other factors make us confident that this is an opportune time to re-open the fund:

- Encouraging signs of a turnaround in international commercial property markets have improved sentiment towards the asset class. There is renewed investor interest in international commercial property and with many property markets stabilising the prospects for the asset class look promising.
- Changes have been made to the fund to better protect liquidity and help with liquidity management of the portfolio. These are discussed in more detail in Questions 15 and 16.
- Henderson's strong track record in property investment management and global reach bring additional expertise.

### 5. Can you explain the additional benefits that Henderson brings to the management of the fund?

Henderson has expertise in managing all the key asset classes and property is a major part of its business. As of 30 September 2009, Henderson Global Investors had £57.7 billion in assets under management, of which £9.8 billion was invested in UK and international property portfolios. Henderson has been managing direct property assets since 1983 and over the decades has built up a dedicated property investment business that has more than 190 staff located in 11 offices around the world. Such a sizeable resource means that the property team at Henderson has excellent contacts, a strong reputation within the property industry and the size and geographical reach to identify and pursue the best opportunities.

Henderson's skills in property management have been externally recognised with the company winning numerous awards over the decades for their experience in property investment. Not only does Henderson manage property portfolios independently but it is also engaged in a number of joint ventures with leading property management groups to offer innovative investment products. Having such a comprehensive property business with resource infrastructure that spans the globe means investors in the New Star International Property Fund can have confidence that the fund is managed by one of Europe's leading property asset management teams.

### 6. What is Henderson's experience in managing international property portfolios?

Henderson already successfully manages several overseas property portfolios, ranging from diversified multi-country property portfolios through to country specific funds. Examples include Asia No 1 Property Fund, which manages direct property in Asia, Herald, a pan

European retail property fund, Opportunity Fund III, which invests in direct property in Germany and French Logistics Fund, which focuses on logistics properties in France.

In total, Henderson's property team manages 12 pooled international direct property funds, 2 pooled property fund of funds and 17 segregated direct and indirect property funds as well as 7 UK-only property portfolios.

### 7. What is the outlook for international commercial property?

The outlook for international property is increasingly positive. After experiencing sharp corrections in prices over the last 18 months many international commercial property markets have begun to stabilise and in some markets prices have already begun to recover. With valuations considerably below peak levels in many markets and economic recovery gaining traction, which will ultimately feed through to take-up of space and upward pressure on rents, we believe that the outlook for international commercial property is steadily improving.

## Details regarding dealing in the fund

### 8. Does the fund re-opening mean that I will be able to buy and sell shares in the fund as normal?

The first valuation point will be 12 noon on Friday 12 February, which is the valuation point at which trading instructions received during the suspension period are priced.

From 12 noon on 12 February 2010 you will be able to buy and sell shares in the fund on a daily basis just as you could before the suspension.

### 9. I am already an investor in the fund and I want to sell my shares, what happens now?

If you instruct us either directly or via your financial adviser or fund platform (fund supermarket or life insurance company) before the re-opening that you wish to redeem, your instruction will be processed at the 12 noon valuation point on 12 February 2010. Instructions received after 12 noon will be priced at the next valuation point. If you wish to redeem after this date you will be able to do so in the normal way.

### 10. If I decide to sell, when will I get my money back and how much will I get?

The proceeds you will receive will reflect the bid price multiplied by the number of shares you own.

If you have invested with us directly, you should receive the proceeds from the sale four business days later, either directly by cheque or electronic transfer, provided you have completed all the necessary anti-money laundering and documentation requirements. If you have invested via a fund platform the terms of the fund platform will apply.

### 11. I am an existing investor and I have already instructed to redeem but have since changed my mind. Can I cancel or reduce my request to redeem?

Yes. If you have requested to redeem and no longer wish to do so, you need to cancel your original instruction. If revised instructions are not received, your existing instruction will be dealt at the 12 noon valuation point on 12 February 2010. To be sure that your change of instruction is received on time we would strongly advise that any new instruction is communicated to your financial adviser or fund platform by 10 February 2010 so that it is processed in time.

Please note that if you have invested in the fund via an ISA wrapper and wish to retain the ISA status you should ensure that the redemption instruction is treated as a switch or ISA transfer, otherwise if you sell your shares your investment could lose its ISA status.

### 12. I am interested in investing in the fund. How do I go about this?

From 12 noon on 12 February 2010 you will be able to invest as normal in the fund either directly or through a financial adviser or fund platform. Please note that we have updated the application form, prospectus and simplified prospectus to reflect measures designed to provide additional investor protection. New versions of these documents will be available from the end of January 2010 by phoning 0845 608 8704 or by

visiting our website [www.hendersonnewstar.com](http://www.hendersonnewstar.com) where you will be able to download the documents.

Please note that if you invest via the Multi-Currency Service in US dollars or euros you can obtain an application form by either phoning 00 353 1 7768 732 14 or downloading one from [www.newstaram.com/international/ukoffshore](http://www.newstaram.com/international/ukoffshore)

### **13. Are there any delays envisaged in pricing the fund on 12 February 2010?**

We anticipate additional volume on 12 February 2010 but do not envisage a delay in pricing the fund.

### **14. What happens to income re-investment procedures and regular savings, which entered into suspension when the fund suspended?**

During the suspension it was not possible to re-invest income so the income has been paid out to all investors. Following the end of suspension we will revert to paying out income or re-investing income according to your original mandate.

The following applies to investors who had a regular savings instruction prior to the suspension. If you have invested with us directly – and have not made any change to your regular savings instruction – your regular savings mandate lay dormant and will automatically become operational again on either 1 March 2010 or 15 March 2010 depending upon your original instructions, when the first monthly collection will be made. If you invested through a fund platform they may have cancelled the regular savings instruction. We would suggest, therefore, that you double-check with the fund platform to see if the regular savings instruction will automatically be switched back on or if they need you to reinstruct them.

The monthly amount collected will be the same as prior to the suspension of dealing, unless you have instructed otherwise.

## **Future management of the fund**

### **15. What new mechanisms are in place to protect investors in the fund from the impact of large investor redemptions absorbing liquidity?**

The Financial Services Authority has approved the introduction of a restricted redemption share class for investors whose holding is worth more than £7.5 million (or USD/€ equivalent). Should these investors wish to sell shares they will need to give one month's written notice or pay a redemption charge of 10% of the value of the redemption. These stricter redemption procedures for large investors should allow the fund manager greater control over liquidity.

*This change to the prospectus will not affect existing investors until 60 days have passed from the posting of this notice.*

Regulatory procedures require that we provide the change to the prospectus in full as per below:

*Restricted Redemption Shares will be issued, at the discretion of the Authorised Corporate Director (ACD), to all investors who make a single subscription for shares, or a series of related subscriptions that result in an aggregate subscription for shares, of £7,500,000 (or the relevant currency equivalent) or more in value.*

*In determining the eligibility of any investor to be issued with Restricted Redemption Shares, the ACD reserves the right in its absolute discretion to:*

- (a) link together subscriptions where the ACD believes that notwithstanding the legal presentation of those transactions or the identities of the investors they are in fact linked commercially; and/or*
- (b) link together subscriptions which are made in a number of instalments or in series, where the ACD believes that the instalments or transactions are related.*

*The ACD's decision in any case will not prevent it from making a different decision in the future in relation to similar circumstances.*

*The ACD also reserves the right to automatically switch Shareholders in Class R or Class Z into Class R Restricted Redemption Shares or Class Z Restricted Redemption Shares when their holding reaches £7,500,000 (or the relevant currency equivalent) or more.*

*The ACD will not automatically switch Shareholders who breach the £7,500,000 (or the relevant currency equivalent) threshold as a consequence of market movement but only as a consequence of a new or additional subscription.*

*Restricted Redemption Shares will be subject to a redemption charge, payable to the Fund, of 10% of the value of the Shares redeemed.*

*Where the redemption charge cannot be charged for whatever reason, or a Shareholder does not wish to incur a redemption charge, then the Shareholder must give the ACD at least one month's written notice of their intention to redeem and the details of the redemption.*

*The ACD may waive the redemption restrictions at its discretion.*

### **16. Are there any changes to the fund's currency hedging policy?**

Discussions with initial investors when the fund was first launched had favoured comprehensive currency hedging to protect investors from adverse currency movements. The volatility experienced in property and currency markets during the credit crisis has raised questions over whether smoothing short-term currency fluctuations is in the interest of a fund designed for long-term investment, given that currency hedging can create an offsetting cash liability that absorbs liquidity in the fund. The Henderson property team are of the view that property investment should be seen as a long-term investment, over which time currency movements would tend to even themselves out, in which case currency hedging will not be used in the foreseeable future. This change will also help with liquidity management. Investors should be aware that currency movements will potentially have more impact on their returns than prior to the suspension in dealing.

It is important to note that if you are invested via the Multi-Currency Service, these share classes will only be hedged if the fund is participating in currency hedging.

### **17. What is the minimum liquidity buffer that you are aiming to maintain and how does this compare to the target liquidity buffer for the New Star UK Property Unit Trust?**

The liquidity target is 15-20% and it is intended that the fund will open at the upper end of this range after meeting existing redemption requests. The New Star UK Property Unit Trust has a target of 10-15% and is currently at the top end of this range.

### **18. Will property securities be used as part of the liquidity buffer?**

At the time of re-opening, the fund will not be using property securities since we believe it is prudent to maintain liquidity in cash in the short term. As dealing in the fund settles down we may introduce property securities as part of the liquidity buffer taking into account fund liquidity, and volatility and performance expectations of an individual security. Property securities may be used where we see strong performance potential in jurisdictions where direct ownership is more difficult or not tax-efficient. Henderson has a dedicated property securities team headed by Patrick Sumner.

### **19. Will the fund still be structured for tax-efficient income pass through?**

Yes. There are no plans to change the current arrangement whereby the fund uses special investment vehicles to optimise the level of income that is passed through to end investors. Clearly, any tax paid at the individual level will, however, still reflect your individual tax circumstances and whether you invested in the fund via a tax-efficient wrapper such as an ISA.

### **20. What would happen if the fund has insufficient liquidity in the future?**

If such circumstances occurred again we would consider all options in the interests of shareholders in consultation with the trustees and draw your attention to the changes we have made in the running of the fund as detailed in the answers to Questions 15 & 16.

## Fund performance

### 21. How much has the fund fallen in value since dealing in the fund was suspended?

Between the date of suspension (25 November 2008) and 31 December 2009 the fund had fallen 36.4%\*.

\*Source: Lipper, at 31 December 2009, bid-bid, net income reinvested, UK sterling.

Please note that past performance is not a guide to future performance.

### 22. What is the income yield on the fund?

At 31 December 2009 the fund had an estimated income yield of 3.1%. The yield has fallen principally because the fund currently holds a high proportion of cash as a result of the property disposals required to raise liquidity. The yield is net of charges and gross of tax and is not guaranteed.

### 23. Has performance on the fund begun to improve?

There is increasing evidence that several property markets internationally are already starting to turn upwards and other markets appear to be stabilising. The investment market tends to move ahead of the occupier market so property prices often start to improve long before rents begin to rise again.

The pace of decline on the fund has reduced dramatically. In the three months to 31 December 2008, the fund fell 18.9%\*; in the three months to 31 December 2009 the fund fell 6.2%\* with the majority of the fall occurring early in the quarter. The Australian market, which is the largest country weighting in the fund, appears to have already moved off its trough and entered a recovery phase and we anticipate most other markets in which the fund invests to start to recover in 2010.

Please note that past performance is not a guide to future performance.

\*Source: Lipper, bid-bid, net income reinvested, UK sterling.

## How to contact us

If you are a private investor please contact our Customer Services team on 0845 608 8704.

If your investment is in US dollars or euros please contact us on 00 353 1 7768 732 14.

If you are a financial adviser please contact our Investment Services team on 0845 608 8702.



### Please remember

This document is for information only and should not be construed as investment advice. Past performance is not necessarily a guide to future performance. Full details of the fund including risk factors can be found in the prospectus which is available on request. Yield figures may vary and are not guaranteed. The annual management charge for the New Star International Property Fund is taken from capital. Capital growth will therefore be restricted.

If you invest indirectly through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially and you may not have any legal relationship with Henderson New Star.

The value of investments may be affected by changing stock market conditions. Your investment may also be affected by currency fluctuations as the fund has the ability to invest overseas which means that changes in rates of exchange may have an adverse effect on the value, price or income of investments. Investors may not get back the amount they originally invested when they sell their investment. The New Star International Property Fund invests in a specialist sector, which may be less liquid and produce more volatile performance than an investment in broader investment sectors.

Whilst property valuations are conducted by an independent expert, any such valuation is a matter of the valuer's opinion. The fund could be subject to significant losses if it holds a large position in a particular region that declines in value or is otherwise adversely affected. The amount raised when a property is sold may be less than the valuation, especially if the property needs to be sold quickly. Although the property shares element of the fund provides it with some liquidity, in certain circumstances, for example where there are significant redemptions, there may be constraints on the redemption or switching of shares in the fund.

The value of capital and income will fluctuate as property values and rental income rise and fall. The opinions expressed here represent the views of the fund managers at the time of preparation and should not be interpreted as investment advice.

The bid-offer spread – the difference between buying and selling prices of the underlying assets of the fund – is likely to be wider for property funds than for less specialist funds and may vary. Changes to the fund's pricing basis will lead to an increase or decrease in what investors will pay or receive when buying or selling shares. The overall impact of these changes should be less for long-term investors and may be either positive or negative.

Whilst the manager will seek to hold a relatively diversified portfolio, as a result of operating in an international remit over a large number of jurisdictions and with investments in largely illiquid assets the fund's performance may be adversely affected by changes in market and economic conditions, tax or other laws or regulations or accounting standards. Telephone calls may be recorded and monitored.

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