



Sentinel OEIC

Fund Manager Quarterly Questionnaire

Period 6

1st July 2009 to the 30th September 2009

FUND DETAILS

Fund: Defensive Fund

Managing Group: Premier Asset Management

Manager: Paul Branigan

PERSONNEL

Please detail any significant changes to the personnel involved in the management of the fund and the analysis of underlying stocks/funds. In particular, please detail the length and type of experience/qualification for any new team members.

As a result of the acquisition of the Aberdeen/CSFB funds the fund management team has added two juniors from the investment support area. I now have full time assistance from Jon Hudson on the funds that I run. Jon, who is a Leeds University graduate who has been with us two years, is IAQ and IMC qualified and recently passed the CFA part 1 exam. Our fixed income/zdp team now has the services of Ben Hamilton who has the MSC investment management masters from reading university and has recently passed his CFA part 2 exam. Ben has been with us around 18 months.

Please give an approximation of total funds under management by the team managing the portfolio.

£150 million of which £85 million is in similar strategies to the defensive fund

INVESTMENT POLICY

Has there been any change to your investment research systems or your style of management?

No

What changes have you made to the Asset Allocation of the Fund?

The cash position was reduced in the first half of September (currently around 3%). We have also re-categorised the synthetic zeros from structured products to zeros as I believe this more accurately reflects the likely pay –off profile.

What is the rationale for these changes and what impact do you expect this to have on performance?

The re-categorisation – none. The reduction in the cash position is a reflection of the lower delta on the portfolio now that markets have recovered.

What has been your portfolio turnover level and is this higher or lower than you would normally expect?

Turnover continues to be very low with strong cash flow and very few stocks being sold. Some stocks have disappeared as a result of corporate actions such as the wind up of the Dexion Absolute \$ class but the only outright sale last quarter was a reduction in the Acencia and JP Morgan PE zdp positions.

Are you confident that you have negotiated the best possible terms and have all discounts and rebates against initial charges and AMCs on underlying funds been negotiated by you and notified to Premier so that they can ensure these are received by the fund? Are you actively aiming to reduce the TER of the fund?

No initial charges incurred and trail fee claimed where available. The TER is very low and we aim to keep it that way.

Please supply 1 or 2 examples of good investments decisions you have made at stock level which have contributed to your performance.

With most stocks in the portfolio showing double digit gains over the past three months it's a little difficult to pick out any particular decisions. In the most part the best call we made was not changing anything in the dark days and keeping fully invested at the bottom of the market (both credit and equity). This is particularly true of the defensive autocalls, the dividend structured product, the funds of hedge funds and the REO zeros all of which have repaid our faith handsomely.

Please also provide an example of a poor investment and how you have dealt with this to minimise the loss to the fund.

Rather difficult to pick anything out, our two poor decisions (REO and Acencia) have been well documented at previous meetings. The only stock not to show gains this quarter was Juridica but we always expected this to be a slow burn and to be newsflow driven and believe there to be a number of announcements due in the next six months.

How have you managed the cash content in the portfolio with a view to maximising the return to the fund?

Yes. This is dealt with by my colleague Andrew Houghton who looks after our Treasury operations. Andrew compares the daily rate available on cash from our administrators with what is available from overnight rates from Treasury. Invariably this involves him putting the money out on overnight. Generally the fund remains fully invested but as a result of strong inflows or proceeds from corporate actions cash is sometimes allowed to accumulate in the short term.

Are you happy with your stock selection across each sector?

Yes. The stocks continue to perform inline or better than we expect. We have recently completed a review of all of the FOHFs and consequently have added two new positions, one of which – FRM Credit Alpha - is a replacement for the Acencia holding

If, not what changes are you looking to make over the next quarter and why?

N/A

Are there any particular factors which you feel have affected the performance or volatility of the fund?

The strong run in equity and credit markets has clearly had a very beneficial effect on performance. The narrowing of credit spreads has helped the zeros in particular, whilst the rise in market levels has helped to release a good proportion of the 'embedded value' in the structured products. The significant move away from the soft protection levels has helped this area of the portfolio outperform a rising market. The narrowing of discounts in the FOHFs that has accompanied the plethora of corporate actions has been augmented by a rise in net asset values across the industry of more than 12% so far this year.