

FUND DETAILS

Fund: DEFENSIVE
Managing Group: PREMIER
Manager: PAUL BRANTIGAN

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.

NONE

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

£100m

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?

CURRENTLY HAVE MORE EXPOSURE TO ZOPS THAN
ORIGINALLY ENVISAGED, AND LESS STRUCTURED PRODUCTS

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

THIS IS A DEFENSIVE MOVE, AS WE REMAIN CAUTIOUS
OF MARKETS.

What has been your portfolio turnover level and is this higher or lower than you would normally expect? NO SALES, CASH INVESTED AS IT APPEARS

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?

YES

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

Alternative Investment Strategies - Stock bought on a relatively large discount as sentiment went against it. Stock risen from 129½ to 133¼.

Merrill Lynch Cap Acc II - Stock purchased as a quasi-cash investment. Pays out on 15th Aug if FTSE above 5300. To give 12% annualised return. Risen from 123p to 126.3p

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

Real Estate opportunities zero. Sentiment towards the stock still adverse and price has fallen from 148.75p to 122.25p. Relative importance reduced by not making further investment despite cash flowing into the fund.

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

SURPLUS CASH IS PUT OUT OVERNIGHT AT BEST MARKET RATES

Are you happy with your stock selection across each sector?

YES

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

Increase exposure to defensive autocalls.

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

Fund behaving as expected. Only REO zeros have disappointed.

SQE

Today = 11-Aug-08
Last updated 11-Aug-08
Deal sheet: 38

PORTFOLIO SUMMARY

Current Value: £63,312,045
Net of Stocks: 9

Portfolio (Value): 2,588
Best stock: 10.53%

Manual prices as at 22:00:00 on 11/08/08

CHANGE IN DAY
TICKER INDEX LAST NET CHANGE % CHANGE

Nominal	Description	Mid Price (pence)	Mid Price (pence)	Price Chg (%)	Value (Close) (£)	Value (Current) (£)	Value Chg (£)	Average Price (p)	Cost Basis (p)	% of Equities	Gain/Loss (£)	Average Bid Price (p)
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ZEROS

MGRZ.L	800,000 M&G Recovery Investment Zero	52	52	0.0%	416,000	416,000	+0	52	52	421.5%	416,000	52
BPLZ.L	900,000 Bear Stearns Private Equity Zero	53.2	53.2	0.0%	479,250	479,250	+0	53.2	53.2	51%	479,250	53.2
EQPZ.L	550,000 EPIC Securities Zero	113	113	0.0%	621,500	621,500	+0	113	113	76%	621,500	113
JCZ.L	240,000 JZ Capital Partners Zero	262.5	262.5	0.0%	486,000	483,600	-2,400	262.5	262.5	191%	483,600	262.5
REOP.L	275,000 REO Securities Zero	122.25	122.25	0.0%	336,188	336,188	+0	122.25	122.25	77%	336,188	122.25
RLSZ.L	17,408 Royal London UK Equity & Income Zero	17.72	17.72	+0.1%	30,899	30,899	+0	17.72	17.72	53%	30,899	17.72
UTLZ.L	400,000 Utilico Finance 2014 Zero	107.5	107.5	+0.0%	430,000	430,000	+0	107.5	107.5	100%	430,000	107.5
ZPGUL	25,900 Zero Preference Growth Trust Units	73.5	73.5	+0.0%	19,037	19,037	+0	73.5	73.5	61%	19,037	73.5

STRUCTURED

UK												
ELDEBS 22C	550,000 ML Capital Protected Call Spread (ELDEBS 22C)	10.0	10.0	+0.0%	506,000	506,000	+0	10.0	10.0	27.7%	506,000	10.0
ELDEBS 29A	300,000 ML Capital Accumulation II Warrant	12.5	12.5	+0.0%	377,715	377,715	+0	12.5	12.5	17.1%	377,715	12.5
BZNSL89	450,000 ML Capital Accumulation VIII (ELDEBS 29A)	10.7	10.7	+0.0%	456,750	456,750	+0	10.7	10.7	6.0%	456,750	10.7
BZNSW99	202,000 Symphony Defensive FTSE Auto-Call 2 (12.8%/-20%)	10.0	10.0	+0.0%	211,494	211,494	+0	10.0	10.0	7.2%	211,494	10.0
	150,000 Symphony Defensive FTSE Auto-Call 4 (12.8%/-20%)	12.5	12.5	+0.0%	159,300	159,300	+0	12.5	12.5	3.3%	159,300	12.5

ALTERNATIVES

AISL	325,000 Alternative Investment Strategies Hedged	133	133	+0.2%	432,250	433,063	+813	133	133	28.9%	432,250	133
TCTL	300,000 The Cayenne Trust Ord	121	121	-0.0%	307,500	307,500	+0	121	121	4.9%	307,500	121
DEAL	300,000 Dexon Equity Alternative Ord	123.75	122.73	-0.8%	371,250	368,250	-3,000	123.75	122.73	4.9%	371,250	123.75
DVAL	400,000 FRM Diversified Alpha Fund Red Part Pref	106.5	106.5	+0.5%	402,000	404,000	+2,000	106.5	106.5	18.8%	402,000	106.5
	20,000 Goldman Sachs Absolute Return Tracker	109.0	109.0	+0.0%	196,800	196,800	+0	109.0	109.0	3.1%	196,800	109.0
ICAL	90,000 Investec Capital Accumulator Ord	83	83	+0.0%	74,700	74,700	+0	83	83	1.2%	74,700	83

MISCELLANEOUS

CASH												
Cash												
MISCELLANEOUS												
Miscellaneous												
TOTAL					£6,314,632	£6,312,045	-2,588			100.0%	39,428	63,312,045

Total Equities	Value (Close)	Value (Current)	% Chg	Split
Cash	£6,314,632	£6,312,045	-0.0%	100.0%
Total	£6,314,632	£6,312,045	-0.0%	100.0%

Inc to 27 stocks

617% on 7 top 3% on balance

11/08/08 11:00:00

Sentinel Defensive Fund– August 08 factsheet

Financial stress returned to global markets in July, with the latest instalment of the credit crisis focussing on the US home loans companies Freddie Mac and Fannie Mae. Equity markets were volatile in the first half of the month although recovered from the lows to finish only marginally down. A major change was the fall in the oil price which fell more than \$20 from its mid month peak.. Structured products had a better month helped by the significant fall off in volatility and the recovery in equity markets. However credit spreads widened again and a major seller in the zeros market resulted in some weakness here whilst hedge funds suffered losses as the HFRX index suggests a loss of 2.8% for the month as most strategies suffered losses as the short financials long oil trade started to unravel. Against this background the fund was down 1.9 % over the month.

Some of the new monies have been invested into Merrill Lynch Capital Acc VIII which is a defensive autocall which kicks out at 5482 in April 2009, and the hurdle declines 10% pa after that – a highly probable payer of its 10.5% coupon. The FTSE defensive autocall 2 was added to during July, this also has a high probability of a pay out and is likely to exhibit low volatility. At the end of the month a holding in Dexion Equity Alternative, a fund of hedge funds, was purchased at a large relative discount to its asset value and well below the prevailing offer price in the market.

The amount of volatility in markets appears to be reducing and this bodes well for structured products, whilst the recent increase in supply of zeros has thrown up a number of opportunities to lock in at attractive gross redemption yields. The prospect of falling bond yields only serves to enhance the potential from this area. The derating of the alternatives has also left these stocks looking better value and with likely opportunities in market dispersion hedge funds should be better placed to benefit than long only investors.