

# Sentinel Defensive Fund

Fund Manager Quarterly Review

November 2008

For professional adviser use only

To watch over and guard

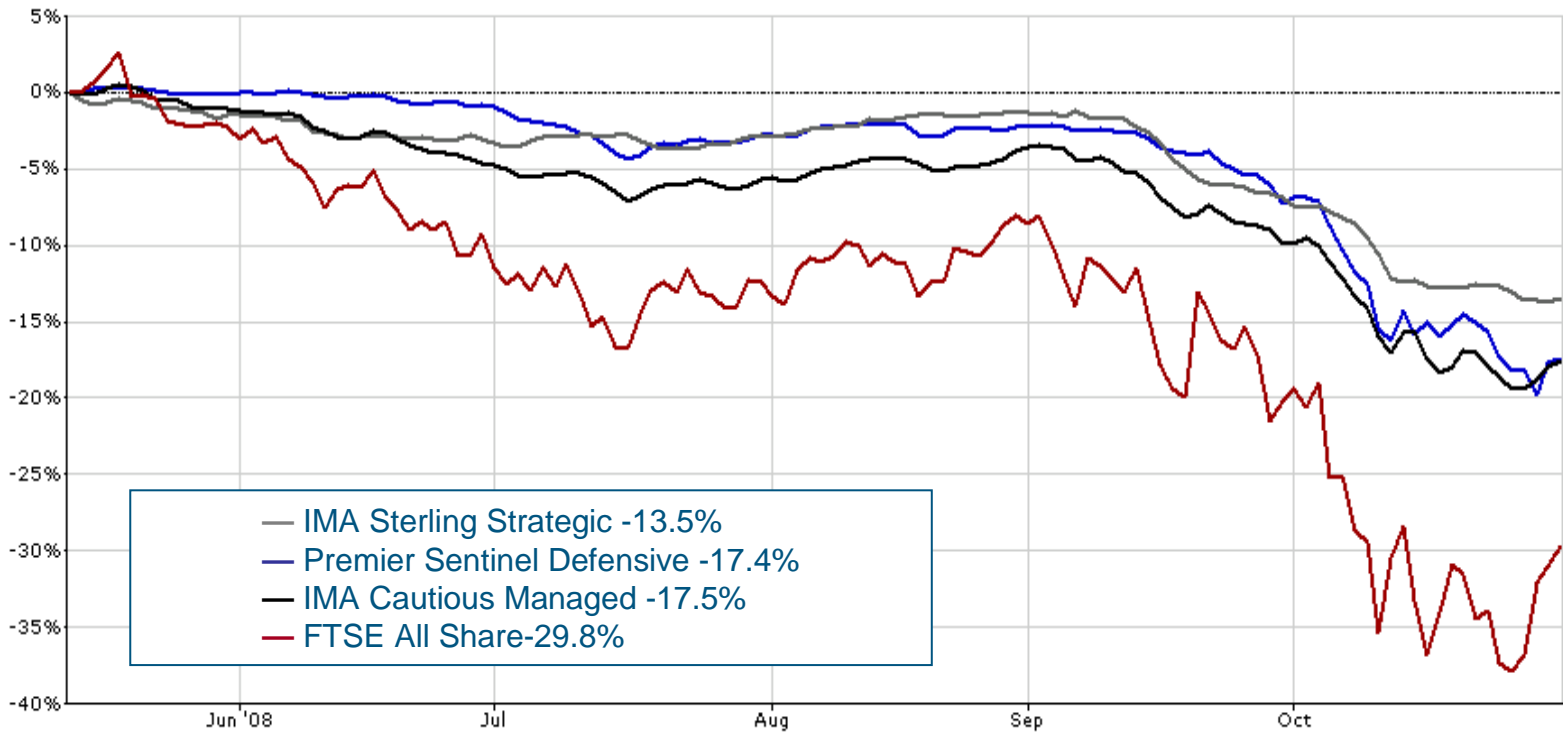


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# Headlines –Sentinel Defensive Fund

- Tough start for the Fund
- Perfect storm
  - Falling equity markets
  - Widening credit spreads
  - Unprecedented volatility
- Outlook, strong across all areas

# Performance Since Launch



Source: Financial Express Analytics, quoted on a bid to bid, total return, sterling basis  
Data from 13<sup>th</sup> May 2008 to 31<sup>st</sup> October 2008. Data taken on 3<sup>rd</sup> November 2008  
Past performance is not an indication of future returns

# Performance Review - Zeros

- Credit spreads widened
- Reduced cover
- Stock specific issues – Real Estate Opportunities

## Performance Review – Structured Products

- Rise in volatility
- Rise in credit spreads
- Fall in equity markets
- Soft protection breaches

# Performance Review – Funds of Hedge Funds

- Counterparty concerns
- Regulatory impact
- Uncertainty
- Discounts to net asset values (navs)

# Zeros Purchased

	%Assets	Average Cost	Value 31 <sup>st</sup> Oct 08	% Price Change	Original Purchase
JP Morgan Private Equity	8.8%	53.05	53.50	0.85%	May 08
Utilico Finance 2012	6.4%	132.59	127.25	-4.03%	Sep 08
JZ Capital Partners	5.3%	200.87	202.00	0.56%	May 08
M&G Recovery	4.2%	52.65	48.13	-8.59%	May 08
EPIC Securities	4.1%	112.94	104.00	-7.92%	May 08
Utilico Finance 2014	2.6%	107.50	92.63	-13.84%	Jun 08
Real Estate Opportunities	1.2%	148.75	59.50	-60.00%	May 08
Jupiter Second Enhanced	0.9%	76.75	70.88	-7.65%	Sep 08

Source: Premier Fund Managers Limited, data to 31<sup>st</sup> October 2008

# Alternative Purchases

	%Assets	Average Cost	Value 31 <sup>st</sup> Oct 08	% Price Change	Original Purchase
Dexion Equity Alternative	5.6%	121.06	87.125	-28.03%	Jun 08
MW Tops Ltd	4.9%	800	866	8.25%	Oct 08
Alternative Investment	4.3%	125.95	85.5	-32.12%	May 08
Acencia Debt Strategies	3.4%	100.29	68	-32.20%	Aug 08
Dexion Absolute Limited	3.3%	\$2.260	\$1.495	-32.85%	Oct 08
FRM Diversified Alpha	1.9%	100	66.5	-33.50%	Jun 08
The Cayenne Trust	1.8%	110	83	-24.55%	May 08
Goldman Sachs Dynamic USD	1.3%	\$1.727	\$1.313	-23.97%	Sep 08
Goldman Sachs Dynamic GBP	1.2%	95.14	62.125	-34.70%	Sep 08
Investec Capital Accumulator	0.3%	82.06	46.5	-43.33%	Jul 08

Source: Premier Fund Managers Limited, data to 31<sup>st</sup> October 2008



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# Structured Product Purchases

	%Assets	Average Cost	Value 31 <sup>st</sup> Oct 08	% Price Change	Original Purchase
ML Capital Accumulator	6.4%	129.5	112.5	-13.13%	Aug 08
Goldman Sachs FTSE Dividend	5.8%	100	95.2	-4.80%	Oct 08
Symphony FTSE Synthetic Zero	5.6%	99.35	87.1	-12.33%	Aug 08
ML FTSE 100 Stepped Growth	5.2%	141.75	147	3.70%	Oct 08
ML FTSE 100 Defensive Autocall	4.9%	105.72	86.4	-18.27%	Aug 08
ML Capital Accumulation	2.7%	100.22	84.7	-15.49%	May 08
Symphony 15% FTSE Defensive	1.8%	100	102.5	2.50	Oct 08
Barclays 5 year FTSE Synthetic Zero	1.7%	100	95.5	-4.50%	Oct 08
Symphony Def FTSE Auto-call 2	1.2%	104.61	85.8	-17.98%	May 08
Symphony Def FTSE Auto-call 4	1.0%	106.3	88.8	-16.46%	May 08

Source: Premier Fund Managers Limited, data to 31<sup>st</sup> October 2008

# Case Study – Dexion Equity Alternative

- Low volatility relative to HFRI index
- K2 advisors – industry leaders with proven track record
- Risk management tools
- 30% discount to net asset value
- Continuation vote early in 2009

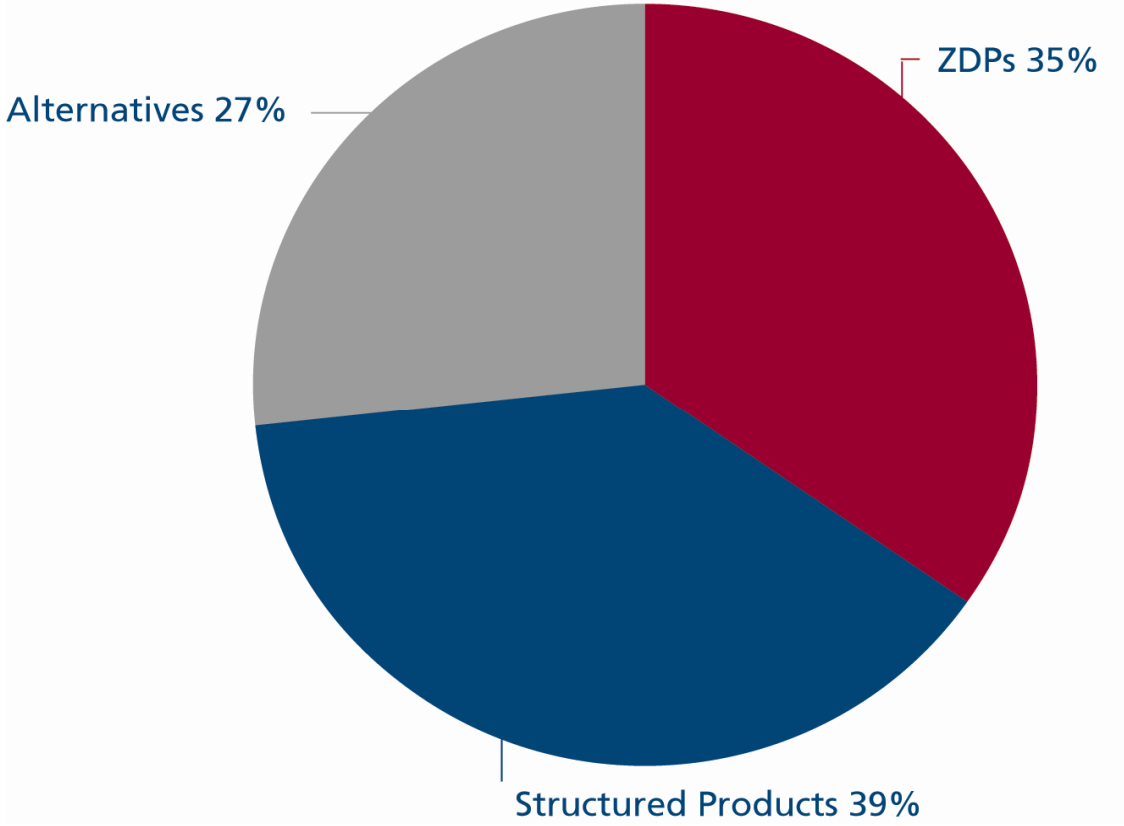
## Case Study Merrill Lynch Capital Accumulation II

- FTSE Defensive Autocall struck at 5319.2 level
- Autocalls
  - June 2010 at 150.6p if FTSE above 4255
  - June 2011 at 162.4p if FTSE above 3457
  - June 2012 at 174.3p if FTSE above 2659
- If not called and index below 2659 in 2012, then 1 for 1 exposure
- Current price 113p (06/11/2008)
- Backed by Santander, Nationwide, Chelsea B.S. and Yorkshire B.S.

## Case Study – Utilico 2012 ZDP

- Covered 2.16% x (-17.2% p.a hurdle rate)
- Gross redemption yield 8.2%
- Redeems October 2012
- Assets marked to market

# Current Position



Source: Premier Fund Managers Ltd, data as at 31<sup>st</sup> September 2008

# Outlook for Alternatives

- Darwinian survival – less crowded trades
- Real value – especially in credit
- Discounts to NAV – tenders, wind ups

# Outlook for Structured Products

- Reduction in volatility
- Government support for banking sector
- Narrowing of credit spreads
- Falling interest rates
- Equity market recovery?

# Outlook for Zeros

- Narrowing credit spreads
- Falling interest rates
- Cover does not need to recover - Pull to redemption
- Real Estate Opps refinancing

# Important Information

- Risk of investments
  - Past performance is not a guide to the future. The price of shares and income from them may go down as well as up and you may get back less than you invested. Movements in exchange rates may also affect the value of the investment. Please remember that these investments are intended as long term investments. Details of the nature of the investment and the commitment required are described in the Simplified Prospectus document which is available on request. Reference to any particular stock does not constitute a recommendation to buy or sell the stock.
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