

The Sentinel Fund



To watch over and guard

Sentinel OEIC

Fund Manager Quarterly Questionnaire

Period 30th June 2010

31st March 2010 to the 30th June 2010

FUND DETAILS

Fund: Sentinel Defensive Portfolio

Managing Group: Premier Asset Management

Manager: Paul Smith

PERSONNEL

1. 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

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

£250 million

INVESTMENT POLICY

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

No

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

The synthetic zero and zero sub sector allocations have been increased whereas the alternatives sub sector and structured products allocations have been reduced.

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

The rationale for reducing the fund's exposure to the alternatives sector was to reduce the equity market risk of the fund. The structured products allocation was naturally reduced as the autocalls were subject to early redemptions; we looked to reinvest the proceeds into zeros and synthetic zeros to reduce the equity market risk and volatility.

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

In line

7. 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

8. Please list any funds that where the underlying TER of the fund NET of any rebate is greater than 1.5%. (If yes please complete the additional TER slide in the IC quarterly presentation)

N/A

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

In the weeks leading up to the emergency budget there were fears that capital gains tax may be brought in line with the top rate of income tax. The zero market experienced some weakness as investors looked to realise capital gains. We took the opportunity to increase our weightings to the more defensive zeros on attractive yields.

Over the quarter the sovereign debt crisis in Europe lead to sharp equity market movements and increased volatility. To take advantage of this spike in volatility we increased our weighting to a defensive Goldman Sachs Autocall. The autocall, based on the FTSE 100, would be subject to an early redemption providing the FTSE 100 did not fall more than 14.5%. The holding was redeemed on 2nd July returning 4% in just over one month, the FTSE 100 fell -4.6% over the same time period.

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

Maintaining our short Gilt futures exposure over the quarter has, in retrospect, been a poor investment as Gilts have rallied as the sovereign debt crisis has resulted in increased risk aversion and a flight to quality. The position however is a partial hedge against rising interest rates which would adversely affect holdings with defined returns in the Fund. As the market perceives Gilts yields, and interest rates, will remain lower for longer the defined returns holdings have benefited however the hedge has reduced these returns.

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

Rates remain relatively low on cash deposits however purchasing short dated floating rate notes has helped to maximise our return on the cash we hold.

12. Are you happy with your stock selection across each sector?

Yes

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

n/a

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

The increase in capital gains tax and the performance of Real Estate Opportunities Zero Dividend Preference Shares – please see emails.