

Fund Manager Quarterly Review



Reporting period: Q4 2010

January 2011

For professional adviser use only



Performance to 31st December 2010

	3m	6m	1yr	Since 13.05.2008	Volatility*
Sentinel Defensive Fund	2.48%	6.08%	6.72%	6.14%	3.94%
3 Month GBP LIBOR + 1%	0.44%	0.87%	1.70%	8.17%	0.02%**
FTSE Government All Stocks	-2.08%	1.45%	7.20%	19.71%	5.40%
FTSE 100	6.90%	21.61%	12.62%	5.05%	17.26%

Source: Financial Express Analytics. Data to 31st December 2010. Taken on a bid to bid, total return, UK sterling basis. Data taken on 10th January 2010. Past performance is not a guide to future returns.*Annualised ratios taken from monthly returns from 31st December 2009 to 31st December 2010.** 3 Month GBP LIBOR Volatility



Discrete Performance

Discrete Quarterly Performance	31-Dec-10	30-Sept-10	30-Jun-10	31-Mar-09	31-Dec-09	30-Sep-09	30-Jun-09
Sentinel Defensive Fund	2.48%	3.51%	-2.38%	3.06%	0.58%	10.38%	9.28%
Benchmark (LIBOR +1%)	0.44%	0.43%	0.42%	0.41%	0.40%	0.45%	0.59%
				31-Mar-09	31-Dec-08	30-Sep-08	13-May-08 to 30-Jun-08
				-2.29%	-9.56%	-6.46%	-0.82%
				0.77%	1.42%	1.72%	0.90%
Discrete Annual Calendar Performance	31-Dec-10	31-Dec-09	13-May-08 to 31-Dec-08				
Sentinel Defensive Fund	6.72%	18.55%	-16.10%				
Benchmark (LIBOR +1%)	1.70%	2.22%	4.08%				

Source: Financial Express Analytics. Taken on a bid to bid, total return, UK sterling basis. Data taken on 10th January 2010. Past performance is not a guide to future returns

Performance Since Launch

Change of fund manager on 23rd Nov 2009



Source: Financial Express Analytics. Data from 13th May 2008 to 31st December 2010. Taken on a bid to bid, total return, UK sterling basis. Data taken on 18th January 2010. Past performance is not a guide to future returns.

Transactions

Settlement Date	BUY/SELL	BUYING/SELLING Holding	Quantity	Price	CCY	Consideration	Notes
06-Oct-10	BUY	Utilico Finance Limited 2012 ZDP	50,000	162.0000	GBP	81,000.00	Senior, Short Dated, Defensive Zero; GRY = 4.41%, Cover = 3.41x
07-Oct-10	BUY	HSBC EPRA Synthetic Zero 2015	200,000	103.6100	GBP	207,220.00	GRY= 5.78%, 2.35x Cover
11-Oct-10	SELL	Goldman Sachs International Reservoir Autocall	250,000	108.0000	GBP	270,000.00	Uplift to next call = 1.9% Headroom to next call = 1.89%, Barrier Headroom = -49.05% Step up = 10%
20-Oct-10	BUY	Barclays iPath S&P500 VIX Short Term Futures	3,350	2382.0000	GBP	79,797.00	Volatility Hedge (small). Based on short term VIX index, continuously rolling 1M and 2M futures contracts. Index at historic lows, protection against a short term increase in volatility.
20-Oct-10	BUY	Alternative Investment Strategies Hedged Ord	150,000	102.0000	GBP	153,000.00	19.3% Discount to NAV (01/10/2010). Buybacks restarted recently, soon to breach continuation vote trigger. Stable asset performance. Topping up exposure following fund growth.
20-Oct-10	BUY	Dexion Absolute Limited	100,000	138.7000	GBP	138,700.00	13% Discount to NAV(8/10/2010). Active board. Recent buybacks have been c. 13% discount. Stable NAV performance. Topping up exposure following fund growth.
21-Oct-10	BUY	Dexion Absolute Limited	150,000	138.5900	GBP	207,885.00	13% Discount to NAV(8/10/2010). Active board. Recent buybacks have been c. 13% discount. Stable NAV performance. Topping up exposure following fund growth.
22-Oct-10	BUY	Utilico Finance Limited 2012 ZDP	50,000	163.0000	GBP	81,500.00	Senior, Short Dated, Defensive Zero; GRY = 4.2% (after com), Cover = 3.45x
25-Oct-10	BUY	Rabobank 4.625% 31/05/2012	250,000	105.0300	GBP	262,575.00	Yield= 1.42%, +82bp. Short Dated. AAA Rated. Enhanced Cash Return
27-Oct-10	BUY	Cayenne Trust 3.25% 08/08/2011 Convertible	200,000	100.0000	GBP	200,000.00	Dirty Price. Yield = 4.29%. Premium 15.34%
01-Nov-10	BUY	Countrywide Financial 5.125% 17/02/11	400,000	100.8200	GBP	403,280.00	Yield= 2.260%, +176.40bp. Enhanced Return over cash
04-Nov-10	SELL	Utilico Finance Limited 2014 ZDP	65,000	141.5000	GBP	91,975.00	GRY = 4.39%pa Cover 2.17x; Recently bought Senior Utilico 2012 Zeros on a yield of 4.2% (Uplift on yield curve)
04-Nov-10	BUY	JP Morgan Private Equity Limited Zero 2013	300,000.00	64.500	GBP	193,500.00	GRY = 4.71%pa, Cover 3.82x. Senior Zero, 2.65yrs to Maturity
08-Nov-10	BUY	Goldman Sachs FTSE Autocall 8%	585,000.00	102.600	GBP	600,210.00	Uplift= 5.3%, Headroom=-22.4%, 0.9yrs to next call. 51.56% Headroom over barrier. 5.9yrs to Maturity. Goldman Sachs (A Rated S&P)
17-Nov-10	BUY	HSBC 5Y FTSE100 / S&P500 Autocall 11.6% At	1,000,000.00	107.900	GBP	1,079,000.00	Simple Coupon 11.6%; Autocall on two Indices (S&P500, FTSE 100); Maturity 5yrs. Capital Protection at 50% (European) after which 1-1 with the market. Autocall Trigger Levels 100% dropping 10% pa to 60% at maturity. 3.4% Uplift to next call. 10% headroom

Source: Premier Fund Managers Limited

Transactions Continued

Settlement Date	BUY/SELL	BUYING/SELLING Holding	Quantity	Price	CCY	Consideration	Notes
18-Nov-10	BUY	F&C Private Equity Zeros	200,000.00	120.500	GBP	241,000.00	Cover= 2.36x (Assuming debt facility fully drawn down), GRY= 5.84%. Simple Coupon 6.25%; Maturity 6yrs. Capital Protection at 50% (European) after which 1-1 with the market. Autocall Trigger Levels 90% dropping 5% pa to 65% at maturity. Morgan Stanley Senior Unsecured (A Rated S&P).
23-Nov-10	BUY	Morgan Stanley 6Y FTSE 100 6.25% Autocall	1,000,000.00	100.000	GBP	1,000,000.00	14.2% Discount to NAV(12/11/2010). Active board. Recent buybacks have been c. 13% discount. Stable NAV performance.Topping up exposure following fund growth. Discount floor provision likely to be triggered in Q1 2011.
25-Nov-10	BUY	Dexion Absolute Limited	150,000	138.6000	GBP	207,900.00	Topping up existing holding following fund growth. GRY = 6.24% pa. 1.91x cover. 3yrs remaining . Counterparty risk: Societe Generale (A+ rated S&P; Aa2 rated Moody's).
25-Nov-10	BUY	SG76 FTSE 100 Societe Generale Zero Coupou	200	1,377.000	GBP	275,400.00	GRY= 5.92%, 2.30x Cover; Topping up following Fund growth. Counterparty risk: HSBC (AA- rated S&P; Aa2 rated Moody's).
25-Nov-10	BUY	HSBC EPRA Synthetic Zero 2015	200,000	103.6900	GBP	207,380.00	
30-Nov-10	BUY	Halifax Bank of Scotland 4.375% 22/12/10	595,000	100.2160	GBP	596,285.20	Yield 0.76%; Short Dated, Enhances cash returns. (A+ Rated by S&P) Participating in placing to avoid dilution. The company was \$125m in size and has raised a further \$175m USD in the placing.
10-Dec-10	BUY	Burford Capital Limited Ords	479,100	110.0000	GBP	527,010.00	
8-Dec-10	BUY	Long Gilt Futures Dec 10	15	119.784325	GBP	1,796,764.88	Rolling Gilt Futures - Spread= 1.30
8-Dec-10	SELL	Long Gilt Future March 11	15	118.484326	GBP	1,777,264.89	Rolling Gilt Futures - Spread= 1.30
09-Dec-10	BUY	General Electric 5.5% 01/04/2011	235,000	101.2620	GBP	237,965.70	Yield= 1.357%, +93bps Adding to holding, given recent increase in yield
14-Dec-10	BUY	Edinburgh New Income Trust ZDP	50,000	138.5000	GBP	69,250.00	GRY = 1.71% Cover 1.57X, -36.42 Hurdle, Maturity 31/05/2011 +67bps over 6mth Libor
16-Dec-10	BUY	Cayenne Trust 3.25% 08/08/2011 Convertible	25,000	100.0000	GBP	25,000.00	Dirty Price. Yield = 5.23%. Premium 13.57% Winding of PREF into PEWT - New ZDP issue of QTY 4,843,977 creating total ZDP in issue of 21,180,373. Placing at 168p (below 176.62p mid 17/12/10) GRY = 5.68% pa, Cover 1.36x, Hurdle = -5.92% pa, Final Entitlement = 221.78p. Good diversification benefits
20-Dec-10	BUY	Premier Energy and Water Trust Zero 2015	238,095	168.0000	GBP	399,999.60	
22-Dec-10	SELL	Burford Capital Limited Ords	25,000	117.0000	GBP	29,250.00	Sold at 117p, placing at 110p
29-Dec-10	BUY	Electra Private Equity CULS 5% 29/12/2017	1,000.00	1000.00	GBP	1,000,000.00	Conversion Price is 2,050 (issued at NAV). A 27.7% premium as at prospectus date; 5% Interest payable s/a on 29 December and 29th June.
29-Dec-10	SELL	Cayenne Trust Ord	200,000	125.5000	GBP	251,000.00	Selling on a discount of 3.76% to NAV. Bought recently on a 4.4% discount, NAV has also performed well recently.
30-Dec-10	BUY	Cayenne Trust Ord	600,000	125.0000	GBP	750,000.00	Bought at 4.43% Discount to NAV (130.79 at 13/12/10). NAV continues its upward trend, increased holding in fund in tandem with fund growth in size.

Source: Premier Fund Managers Limited

Zero Dividend Preference Shares

- The zero sub sector pushed ahead as the yield premium over government bonds continued to be squeezed. We anticipate that this yield premium should continue to drive demand.
- Over the quarter we continued to increase our exposure to the senior Utilico Finance 2012 zeros and reduced our exposure to the subordinated Utilico Finance 2014 zeros on tight spreads.
- We bought some Premier Energy and Water Trust zeros in December at 3% below market price and Premier Renewable Energy Fund rollover price. This holding provides good diversification benefits for the fund in terms of underlying assets class and investment policy.
- We continue to look for opportunities to increase our allocation to the sub sector but only where we deem the risk return suitable.

Structured Products and Synthetic Zeros

- The structured products sub sector provided positive returns as equity markets rallied. Our current selection of structured products are exhibiting lower price volatility than before, a targeted characteristic
- In November we purchased a HSBC Autocall, based on the S&P 500 and the FTSE 100, maturing in 2015. This has a 3.4% uplift to the next call (27/05/11), with approximately 10% headroom over call on the FTSE 100 and S&P 500. The autocall trigger level drops 10% per year (from 100% of initial index level in the first year) to 60% at maturity.
- A Goldman Sachs FTSE 100 Autocall was also purchased, with a 5.3% uplift and a 22.4% headroom to next call (18/10/11), maturing in 2016. The autocall trigger level remains at 80% of the initial index level until maturity.
- An investment was carried out into a Morgan Stanley (A Rated S&P) Structured Product. This has a simple coupon of 6.25% and matures in 2016. Capital Protection is at 50%, with annual opportunities for early redemption. The Autocall trigger level is 90% of initial index level, dropping 5% pa to 65% at maturity.
- We also added to our holding of the Societe Generale Synthetic Zero 2013 on a yield of 6.24%. At purchase this product would redeem at its full entitlement provided the FTSE 100 doesn't fall 46% by maturity.

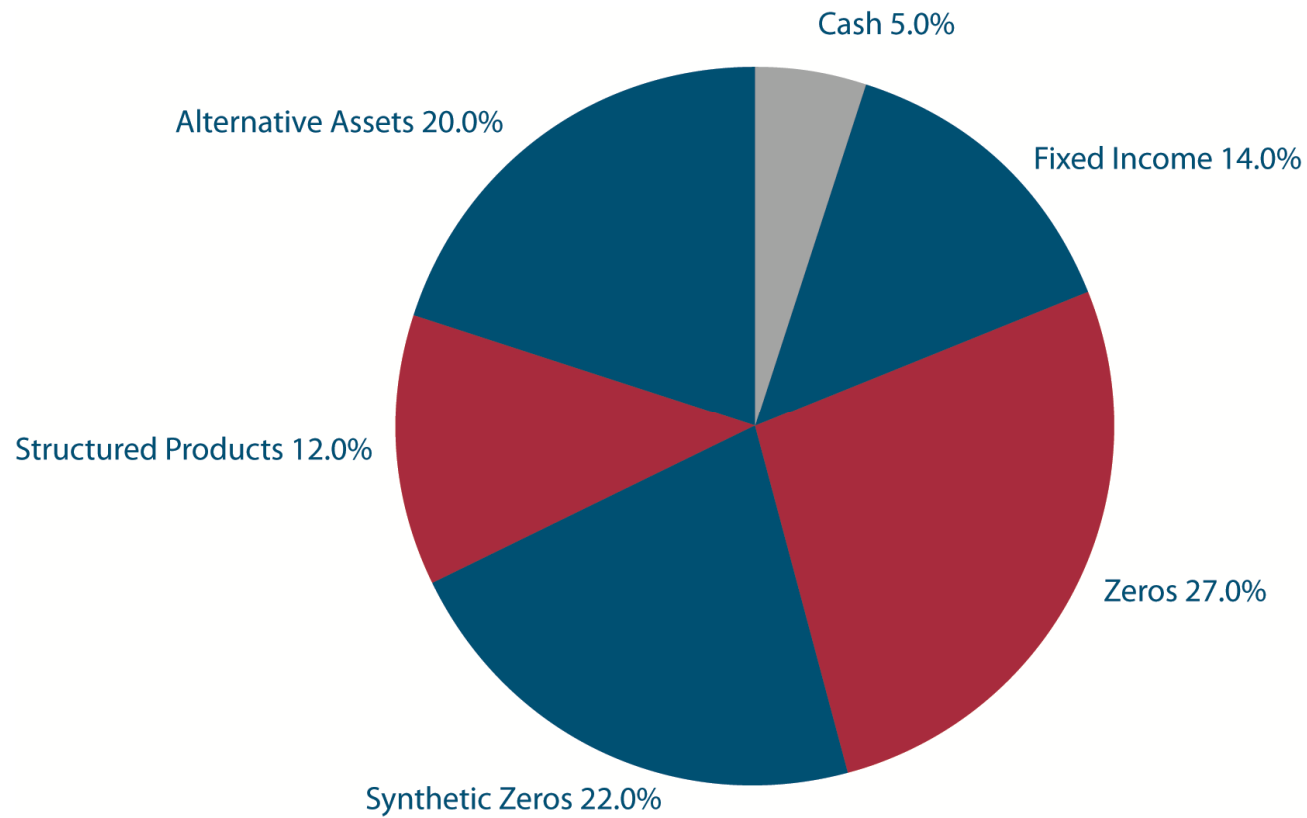
Fixed Income

- Added to fixed income exposure, including purchases of a HBOS 2010, General Electric 2011, Countrywide 2011, Rabobank 2012 bond. These purchases were made on yields of between 0.76% to 2.26%. These short dated bonds provide an enhanced return over cash.
- We continue to maintain our holdings in floating rate notes. These act as a natural hedge against a potential rise in interest rates.
- Additionally the funds hedge against the returns of gilts has been maintained, which acts to reduce the duration of the Fund, limiting the risk of rising risk-free rates.
- In addition, we increased our Convertible Unsecured Loan Stock (CULS) exposure. CULS benefit from the potential of additional capital growth if equity markets are strong and the convertible element is triggered yet still maintaining a defensive profile to par.
- Ecofin Water & Power CULS, Electra Private Equity 2017 CULS, Cayenne Trust 2011 were all purchased during the quarter, the latter with a rollover opportunity.

Alternatives

- With equity markets performing well over the quarter, Net Asset Value (NAV) performance across the listed fund of hedge fund sector has been positive.
- In December, Burford raised \$175 million in a placing which we participated in to avoid dilution. To date Burford has performed well, however, we are reducing our exposure at over a 6% profit to recent placing price.
- Early on in the quarter we purchased a small weighting in a Barclay product that was based on the short term Vix Index (popularly known as the fear index). With the index at historic lows this investment was bought to provide protection against any short term increase in volatility.
- Our Holding in Dexion Absolute Limited was also increased, as an active board and recent buybacks have resulted in steady stable NAV performance.

Asset Allocation



Source: Premier Fund Managers Limited. Data as at 31st December 2010

Outlook and Anticipated changes

- Maintain exposure to 'Anchor stocks' with built in capital growth
- Control the duration of the Fund and protect against rising risk-free rates
- Utilise fixed income investments to enhance cash returns
- Look to protect NAV performance against spikes in volatility
- Diversify underlying holdings

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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