

# Fund Manager Quarterly Review



Reporting period: Q1 2011

26<sup>th</sup> April 2011

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# Performance to 31st March 2011

	3m	6m	1yr	Since 13.05.2008	Volatility*
Sentinel Defensive Fund	1.01%	3.51%	4.60%	7.21%	3.77%
3 Month GBP LIBOR + 1%	0.45%	0.88%	1.74%	8.63%	0.02%**
FTSE Government All Stocks	-0.79%	-2.85%	5.16%	18.76%	5.88%
FTSE 100	1.10%	8.09%	7.44%	6.21%	15.39%

Source: Financial Express Analytics. Data to 31<sup>st</sup> March 2011. Taken on a bid to bid, total return, UK sterling basis. Data taken on 8<sup>th</sup> April 2011. Past performance is not a guide to future returns.\*Annualised ratios taken from monthly returns from 31<sup>st</sup> March 2010 to 31<sup>st</sup> March 2011.\*\* 3 Month GBP LIBOR volatility.



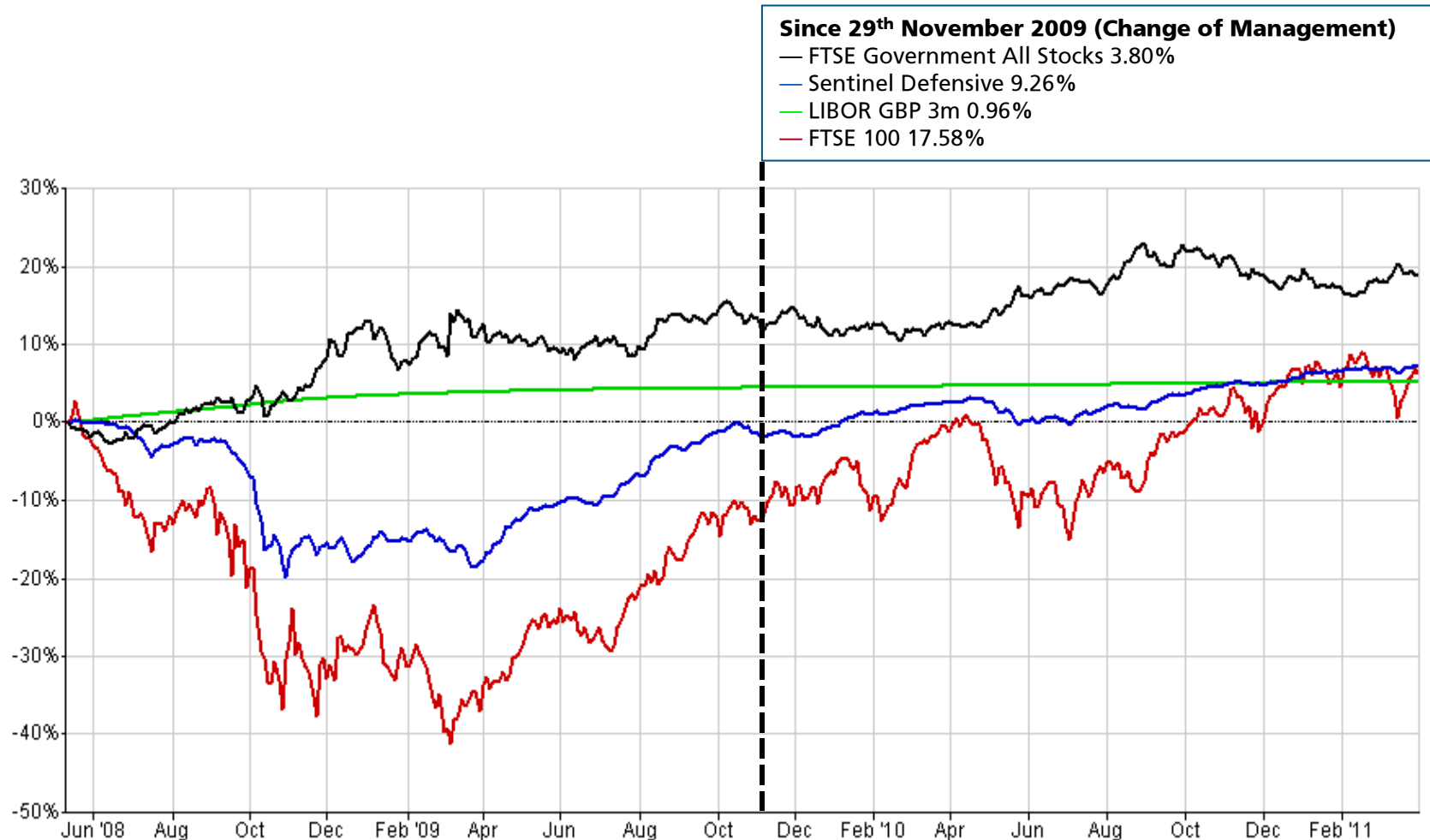
# Discrete Performance

Discrete Quarterly Performance	31-Mar-11	31-Dec-10	30-Sept-10	30-Jun-10	31-Mar-10
Sentinel Defensive Fund	1.01%	2.48%	3.51%	-2.38%	3.06%
Benchmark (LIBOR +1%)	0.45%	0.44%	0.43%	0.42%	0.41%

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%

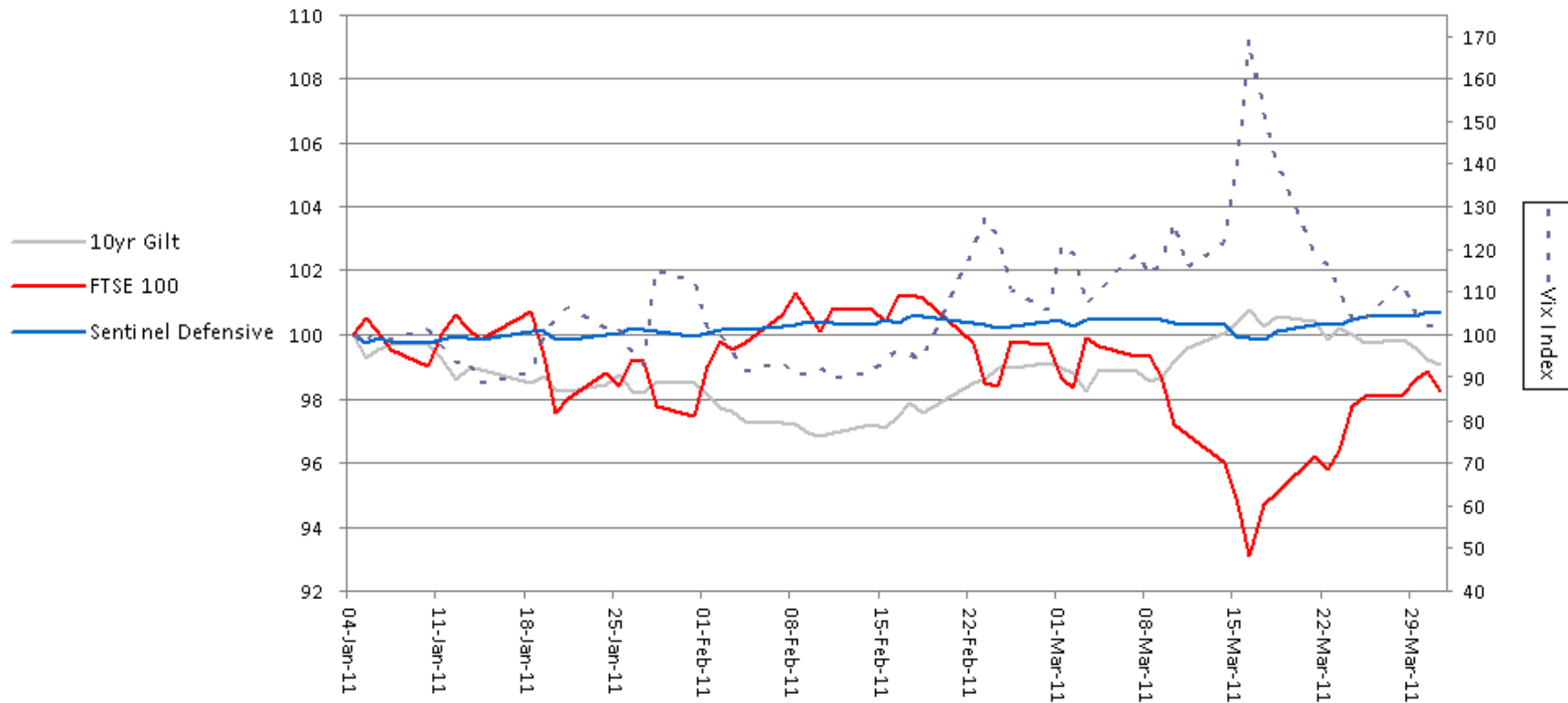
Source: Financial Express Analytics. Taken on a bid to bid, total return, UK sterling basis. Data taken on 8<sup>th</sup> April 2011. Past performance is not a guide to future returns.

# Performance Since Launch



Source: Financial Express Analytics. Data from 13<sup>th</sup> May 2008 to 31<sup>st</sup> March 2011. Taken on a bid to bid, total return, UK sterling basis. Data taken on 18<sup>th</sup> April 2011. Past performance is not a guide to future returns.

# Japan, Middle East and North Africa



Source: Bloomberg. Data taken on 12<sup>th</sup> April 2011

# Transactions

Settlement Date	BUY/SELL	Holding	Quantity	Price	Currency	Consideration	Notes
10-Jan-11	BUY	F&C Private Equity Zeros	40,000	121.50	GBP	48,600.00	GRY= 5.7%; Cover= 2.44x; Hurdle to Final Entitlement= -20.25%pa; Hurdle to Current Price = -22.45%; Hurdle to Wipe-out = -34.28%
10-Jan-11	BUY	Utilico Finance Limited 2012 ZDP	18,000	165.25	GBP	29,745.00	Senior, Short Dated, Defensive Zero; GRY = 3.92%, Cover = 3.48x
10-Jan-11	BUY	Invesco Perpetual Recovery Trust 2011 Zero	100,000	133.25	GBP	133,250.00	Short Dated, 0.8yrs until maturity. 1.17x Cover. Underlying 84% Equity, 16% Fixed Income. 14% Headroom to Full Entitlement, 18% Headroom to current price. Continuation of the trust must be determined by 27th July 2011. Uplift 5.4% to full entitlement (6.8% GRY).
10-Jan-11	BUY	Utilico Finance Limited 2014 ZDP	100,000	134.50	GBP	134,500.00	GRY = 5.89%pa Cover 2.22x; Recently sold Utilico 2014s on a GRY of 4.39% on a lower cover 2.17x. Buying back 5% cheaper and with greater protection.
11-Jan-11	BUY	F&C Private Equity Zeros	50,000	121.50	GBP	60,750.00	GRY= 5.7%; Cover= 2.44x; Hurdle to Final Entitlement= -20.25%pa; Hurdle to Current Price = -22.45%; Hurdle to Wipe-out = -34.28%
11-Jan-11	BUY	JP Morgan Private Equity Limited Zero 2013	250,000	65.25	GBP	163,125.00	GRY = 4.57% pa; Cover 3.84x, Hurdle to Full Entitlement -42.04%, Hurdle to Current Price -43.09%, Hurdle to Wipeout -53.51%. Most Senior zero in the capital structure.
12-Jan-11	SELL	Burford Capital Limited Ords	35,000	117.00	GBP	40,950.00	The company was \$125m in size and has raised a further \$175m USD in the placing. Reducing Weighting, after participating in placing. Sold at 117p, placing at 110p (+6.36% turn)
17-Jan-11	BUY	EcoFin Water & Power 6% 31/05/2016 CULS	150,000	108.50	GBP	162,750.00	GRY = 4.25%, Premium 46.09%, Parity 75.30% Spread = +149.51bp
17-Jan-11	BUY	Utilico Finance Limited 2014 ZDP	200,000	134.25	GBP	268,500.00	GRY = 6.03%pa Cover 2.15x; Hurdle to full entitlement -18.31% pa
21-Jan-11	BUY	Morgan Stanley 6Y FTSE 100 6.25% Autocall	245,000	102.21	GBP	250,414.50	Next Call 09/11/11, 4% Uplift to next Call (5% GRY) ; -12.5% Headroom to Call, -51% to barrier . If not called trigger drops 5% per year to 65% in 2015. 6.25% step up if not called. Underlying FTSE 100.
24-Jan-11	BUY	Utilico Finance Limited 2012 ZDP	50,000	165.00	GBP	82,500.00	Senior, Short Dated, Defensive Zero; GRY = 4.09%, Cover = 3.58x
26-Jan-11	SELL	Burford Capital Limited Ords	140,000	115.86	GBP	162,199.94	The company was \$125m in size and has raised a further \$175m USD in the placing. Reducing Weighting, after participating in placing. Sold at 115.8571p, placing at 110p
28-Jan-11	BUY	Cayenne Trust 3.25% CULS 31/07/2016	250,000	100.00	GBP	250,000.00	Adding to exposure on same price as the placing
02-Feb-11	SELL	Burford Capital Limited Ords	45,000	119.00	GBP	53,550.00	The company was \$125m in size and has raised a further \$175m USD in the placing. Sold at 119p, placing at 110p
04-Feb-11	SELL	Bank of America FRN 11/06/12	500,000	98.46	GBP	492,310.30	Spread For Life = + 125.64 bps, Discount Margin = +127bps, Reducing BOA exposure following purchase of BOA Autocall (bellow). HPR of 2.79% annualised - enhanced return over cash
9-Feb-11	SELL	Burford Capital Limited Ords	35,000	118.00	GBP	41,300.00	The company was \$125m in size and raised a further \$175m USD in the placing. Sold at 118p, placing at 110p
10-Feb-11	BUY	Merrill Lynch/ BoA FTSE 100 7.85% Autocall	450,000	104.90	GBP	472,050.00	Next Call 15/08/11, 2.8% Uplift to next Call (5.4% GRY) ; -10.59% Headroom to Call, -55.29% to barrier . If not called trigger drops to 85% in 2012, 74% in 2013, 65% in 2014 and 56% in 2015. Underlying FTSE 100.

Source: Premier Fund Managers Limited

# Transactions Continued

Settlement Date	BUY/ SELL	Holding	Quantity	Price	Currency	Consideration	Notes
11-Feb-11	SELL	Burford Capital Limited Ords	140,000	118.00	GBP	165,200.00	The company was \$125m in size and raised a further \$175m USD in the placing.Sold at 118p, placing at 110p
11-Feb-11	SELL	Burford Capital Limited Ords	10,000	118.00	GBP	11,800.00	The company was \$125m in size and raised a further \$175m USD in the placing.Sold at 118p, placing at 110p
17-Feb-11	SELL	The Cayenne Trust Ord	100,000	128.50	GBP	128,500.00	Reducing exposure to cayenne following participation in CULS issue. Company states it is willing to buy back ords at a 5% discount but agreed to repurchase at 4%, this was below current market bid but had been trying to reduce since the CULS issue with no success. Selling above last purchase price following positive NAV returns
22-Feb-11	SELL	Burford Capital Limited Ords	100,000	117.00	GBP	117,000.00	Reducing exposure to an investment with an undefined return
22-Feb-11	BUY	Barclays Bank 1.44% CD 20/06/11	800,000	0.01	GBP	809,150.35	Enhanced Cash Return
22-Feb-11	BUY	Credit Agricole CIB 0.95% CD 21/03/11	1,900,000	0.01	GBP	1,908,132.15	Enhanced Cash Return
23-Feb-11	SELL	Alternative Investment Strategies Hedged Ord	350,000	112.00	GBP	392,000.00	Sold at Discount of 13.6% to 31/01/11 NAV - Reducing position following tightening in discount (Discount c.19% in Oct). NAV remains stable however concerns that reduced corporate actions following the imminent continuation vote (23.02.11) may drive the discount wider. It is anticipated the company will pass it's continuation vote.
25-Feb-11	SELL	Burford Capital Limited Ords	10,000	120.00	GBP	12,000.00	The company was \$125m in size and raised a further \$175m USD in the placing.Sold at 120p, placing at 110p
28-Feb-11	BUY	EPIC Securities ZDP	50,000	137.75	GBP	68,875.00	2.19% GRY; 0.92% uplift to maturity. Zero's final entitlement covered by cash (2.4x covered by Gross Assets)
28-Feb-11	BUY	Edinburgh New Income Trust ZDP	50,000	140.00	GBP	70,000.00	GRY = 2.42% GRY; 0.62% Uplift to end of May maturity. Cover 1.6x; Short Dated enhanced cash return
28-Feb-11	BUY	Barclays FTSE Synthetic Zero 2012	500,000	134.02	GBP	670,100.00	3.13% GRY; 2.03x Cover. 2934.5 FTSE lower barrier. Capital stops accruing if lower barrier is breached
1-Mar-11	BUY	Long Gilt Future March 11	15	117.80	GBP	1,767,000.00	Rolling Gilt Futures - Spread= 1.31
1-Mar-11	SELL	Long Gilt Future June 11	15	116.49	GBP	1,747,350.00	Rolling Gilt Futures - Spread= 1.31
02-Mar-11	SELL	Barclays Bank 1.44% CD 20/06/11	800,000	101.19	GBP	809,533.78	Annualised Return of 1.79% (i.e. LIBOR + 1% with negligible risk.)
8-Mar-11	BUY	Long Gilt Future June 11	5	116.22	GBP	581,100.00	Overall reducing duration; Moving duration hedge to short gilt future (UKT 6% 2Yr) rather than long gilt Future (UKT 6% 10)
8-Mar-11	SELL	Short Gilt Future June 11	50	107.54	GBP	5,377,000.00	Overall reducing duration; Moving duration hedge to short gilt future (UKT 6% 2Yr) rather than long gilt Future (UKT 6% 10)
9-Mar-11	BUY	Long Gilt Future June 11	5	116.32	GBP	581,600.00	Increasing Fund Duration; UKT 10yt 3.65%
25-Mar-11	BUY	Morgan Stanley 6Y FTSE 100 5.75% Autocall	1,300,000	100.00	GBP	1,300,000.00	85% Trigger Level in Year 1. Trigger drops 5% per year to 60% in Year 6. European Barrier at 60%. Coupon increases 5.75% per year if not called. Next Call March 2012; Strike 5828.67 on FTSE 100
28-Mar-11	BUY	Edinburgh New Income Trust ZDP	25,000	140.00	GBP	35,000.00	GRY = 3.46% GRY; 0.62% Uplift to end of May maturity. Cover 1.59x; Short Dated enhanced cash return

Source: Premier Fund Managers Limited

# Zero Dividend Preference Shares

- Rising rate expectations has seen longer dated zeros underperform short dated zeros over the quarter.
- Zeros continue to offer an attractive premium over government bonds given their high asset cover.
- We anticipate that this premium should insulate zeros from a portion of rising interest rate expectations and should drive performance if expectations remain unchanged.
- Over the quarter we added to EPIC Securities zero, July's (2011) final entitlement is fully covered by cash. We added to Edinburgh New Income Zero which is well covered with its final entitlement due in May (2011). All added on enhanced cash returns.
- We continued to actively manage our exposure to Utilico. Increasing our exposure to both the senior 2012 zeros whilst also buying back the Utilico 2014 zeros 5% cheaper than the price on which we sold them in November (2010), or 3.4% on average, and with a greater cover.

# Structured Products and Synthetic Zeros

- Our selection of structured products and synthetic zeros provided a positive return over the quarter despite the FTSE 100 finishing broadly flat, in capital terms, and volatility spiking in March (our volatility hedge adding to the stability of the Fund).
- Synthetic zeros continue to offer a defensive profile with equity markets needing to fall significantly for their final entitlements to be 'at risk'.
- Autocalls continue to offer a similarly defensive profile to their full entitlement at maturity, however also offer the possibility of early redemption. Even following the Japanese Tsunami all of our holdings had headroom over their early redemption trigger levels (defensive selection).
- Over the quarter we added three new positions within this subsector:
  - Bank of America FTSE 100 Autocall. This product has a trigger level at 100% in the first year dropping down to 83%, 74%, 65% and 56% at maturity (2015). At purchase (not issuance) this product could afford the market to fall 10.59% to ensure early repayment in August (2011), whilst providing a capital uplift of 2.8%. If not called the product steps up 7.85% per year.
  - Morgan Stanley FTSE 100 Autocall. We structured this product with a 85% trigger level in year 1, dropping 5% per annum to 60% at maturity (2017). If not called the product steps up 5.75% per year.
  - Barclays FTSE 100 Synthetic Zero. Bought on a 2.03x cover with the final entitlement due in February 2012. A defensive synthetic zero bought on a gross redemption yield of 3.13%.

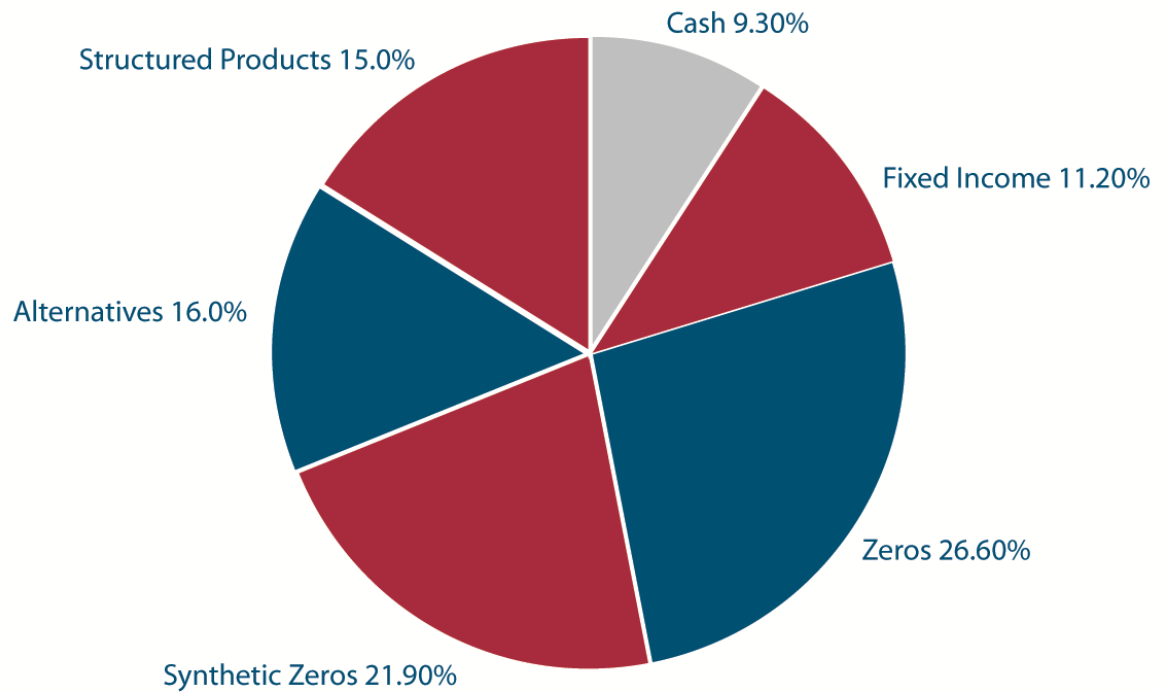
# Alternatives

- The alternatives sector led to positive returns over the period as several key holdings benefited from continued corporate actions, buybacks and continuation votes, driving their share prices closer to their net asset values
- Underlying Net Asset Value performances have typically been positive and stable over the quarter.
- We sold half of our exposure to Alternative Investment Strategies prior to the anticipated approval of the company's continuation vote in February at a 13.6% discount. Sold due to concerns about a reduced level of buybacks if the anticipated approval was passed. We had last topped up our exposure in October at a 19% discount, the Net Asset Value performance was also positive over this period.
- We participated in the placing of \$175m of Burford Ordinary Shares in December 2010 to avoid dilution of our holding. These shares were issued at 110p, a significant discount to the market price. We have since reduced our exposure to this company back to our original position selling the share we received at an average price of 117.26p, making a 6.6% return.

# Fixed Income

- Over the quarter our fixed income investments added to the positive performance of the Fund with little added risk.
- We added to our holding of Cayenne Trust 3.25% CULS and EcoFin Water & Power 6% CULS. Both holdings have a high degree of capital protection and offer varying levels of upside potential.
- We sold a Bank of America FRN to fund the purchase of the new Bank of America Autocall. We bought the FRN in January 2010 on a spread for life of 160bps and sold on a spread of 126bp; including income the holding period return was 2.79%.
- We purchased two Certificates of Deposit (CD) over the period to enhance our cash returns. Our Credit Agricole CD had one month maturity and provided an annualised return of 0.58%. We also bought and then subsequently sold a Barclays CD making an annualised return of 1.79%.

# Asset Allocation



Source: Premier Fund Managers Limited. Data as at 31<sup>st</sup> March 2011.

# Outlook and Anticipated Changes

- Maintain exposure to holdings with built in capital growth
- Control the duration of the Fund and protect against rising risk-free rates
- Look to protect NAV performance against spikes in volatility
- Continue to utilise fixed income investments to enhance cash returns
- Despite the potential strong headwind of rising interest rates, particularly in this low rate environment, we have looked to position the Fund to achieve steady capital growth

# 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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