

## The Sentinel Fund



To watch over and guard

*“Do we take more risk when risk assets become cheaper?” & “Fixed life investments keep the Fund stable during volatile times.”*

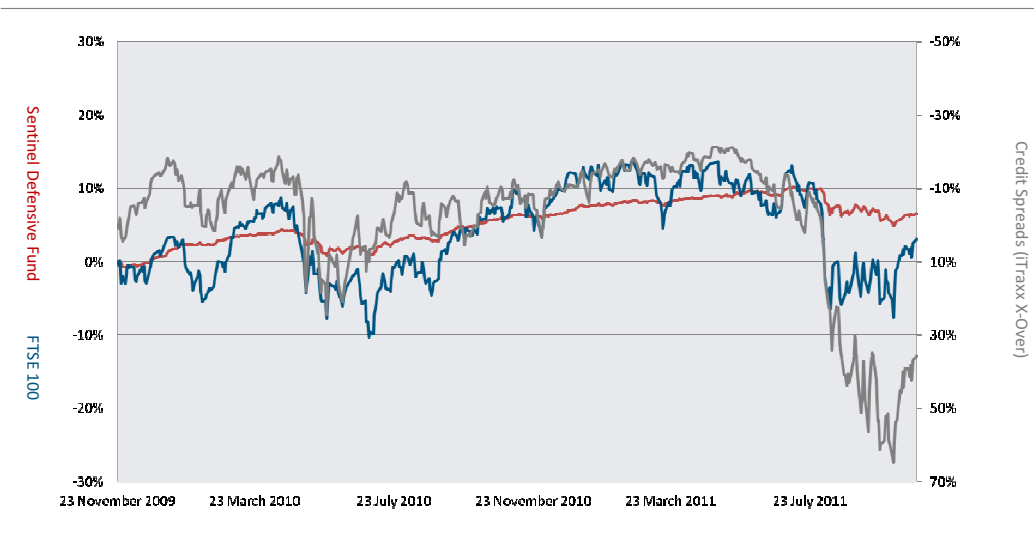
### Fund Update

Sentinel Defensive Fund – November 2011

Paul Smith, Senior Investment Manager

Client Presentation

## Performance since Paul Smith commenced management



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Source: Bloomberg data from 23 November 2009 to 24 October 2011. Taken on a bid to bid, total return UK sterling basis. Past performance is not a guide to future returns.

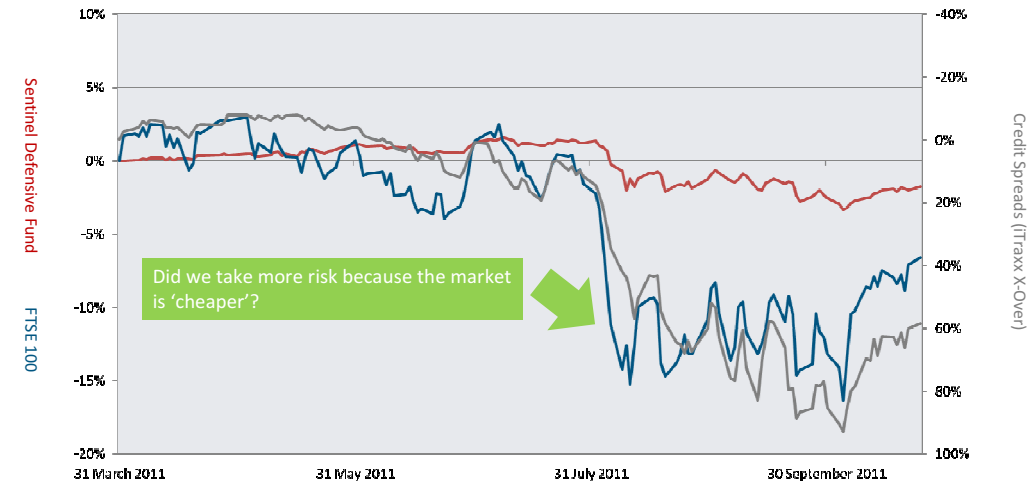


### Slide 2:

Clearly observable that the Sentinel Defensive Fund has been much more stable than UK equities (FTSE 100) and Credit markets (iTraxx X-Over) – the performance line is smoother and falls much less during market corrections

Over the two year period since I commenced management of the Sentinel Defensive Fund the Fund has appreciated +6.6% during a period of volatile markets and emergency levels of interest rates.

## Performance during market correction



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Source: Bloomberg data from 31 March 2011 to 24 October 2011. Taken on a bid to bid, total return UK sterling basis. Past performance is not a guide to future returns.



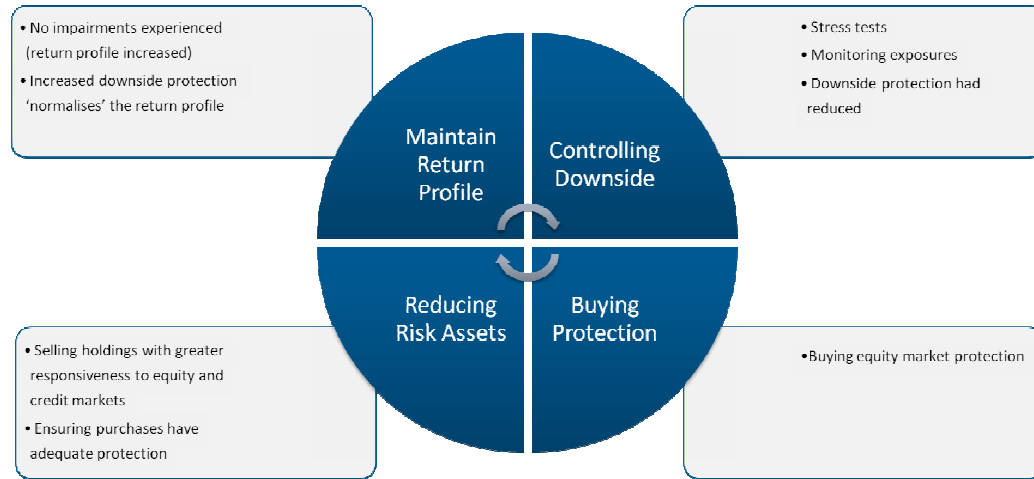
### Slide 3:

The last six months have been the most volatile. UK equities (FTSE 100) fell over 18% from its high to its low point (peak to trough) and European equity markets fell even further, typically another 10% beyond this.

Credit markets (bonds issued by corporates and banks) suffered worse in my opinion and credit spreads (the return offered above identical government bonds) almost doubled during this period.

Sentinel Defensive Fund fell less than 5% peak to trough and less than 2% over the six month period, once again highlighting the defensive nature of the Fund.

## What we did.....



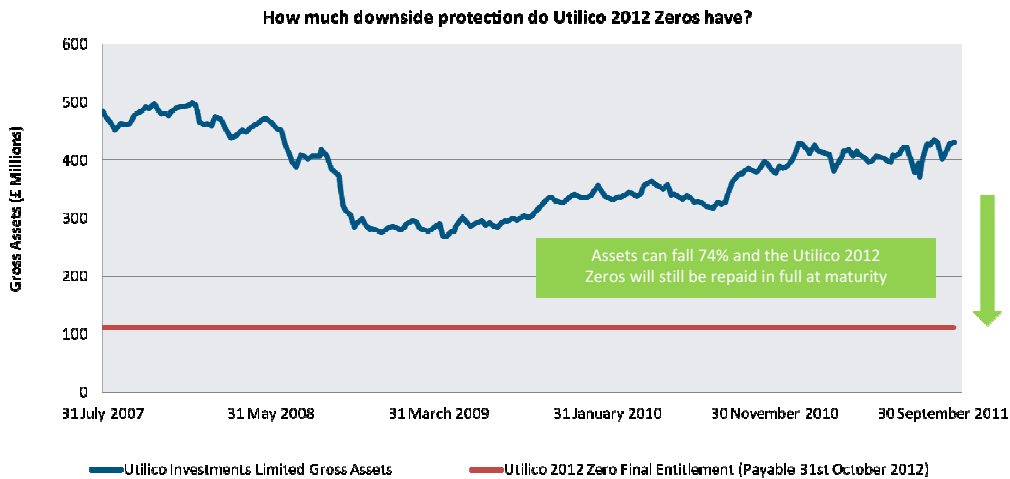
### Slide 4:

When markets become more 'choppy', our regular stress testing of the Fund leads to us buying more protection and replacing more equity market responsive holdings with holdings offering adequate protection.

Our objective is to control the downside risks so that if markets repeated the sharp corrections again next quarter, the Fund will continue to be defensive.

In addition, the Fund has experienced no impairments / defaults during the recent market corrections, therefore we still expect to achieve the expected returns since purchase from the majority of holdings as they have fixed entitlements on fixed maturity dates.

## Fixed life investments keep the Fund stable during volatile times



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Source: Bloomberg data from 31 July 2007 to 31 October 2011. Taken on a bid to bid, total return UK sterling basis. Past performance is not a guide to future returns.



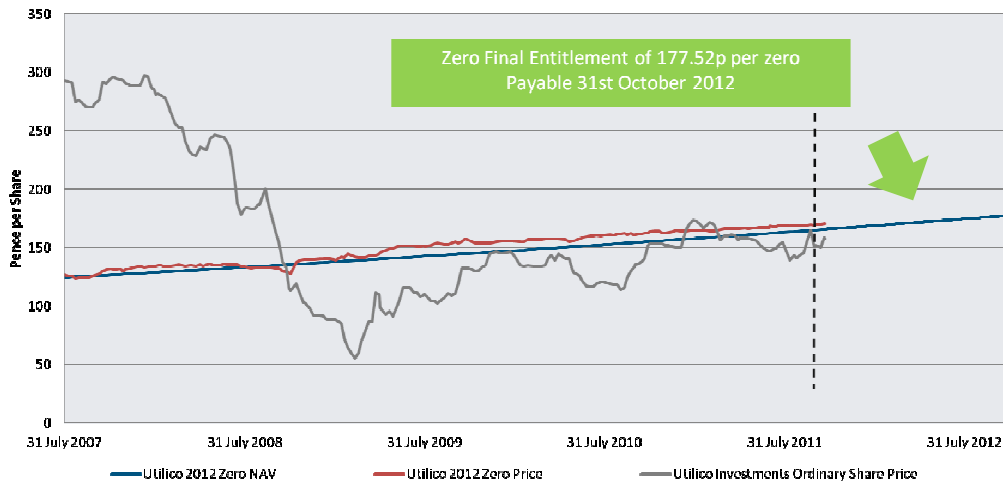
Slide5:

An example of a holding with a fixed entitlement and fixed maturity date is the Fund's largest holding of Utilico 2012 Zeros which have just under a year to their final maturity date

In very simplified terms, Utilico currently need assets of c.GBP110m to repay the full entitlement to the Utilico 2012 Zeros.

As can be seen from the graph, Utilico's assets have fallen from GBP500m, down to GBP300m, and then recovered to c.400m but at no point have been close to breaching the GBP110m required for the full entitlement.

## Fixed life investments keep the Fund stable during volatile times



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Source: Bloomberg data from 31 July 2007. Taken on a bid to bid, total return UK sterling basis. Past performance is not a guide to future returns. Zero Final Entitlement, source: Utilico Prospectus.



### Slide 6:

Due to the Gross Assets of Utilico fluctuating with markets, the ordinary share price of Utilico has been very volatile; at one point falling from 300p to just 50p.

However, we do not hold the ordinary shares of Utilico and as the final entitlement of Utilico 2012 Zeros has not been brought into question, the share price of the Zeros have remained very stable, rising with the entitlement and hence contributing to the Fund's defensive profile.

## Conclusion

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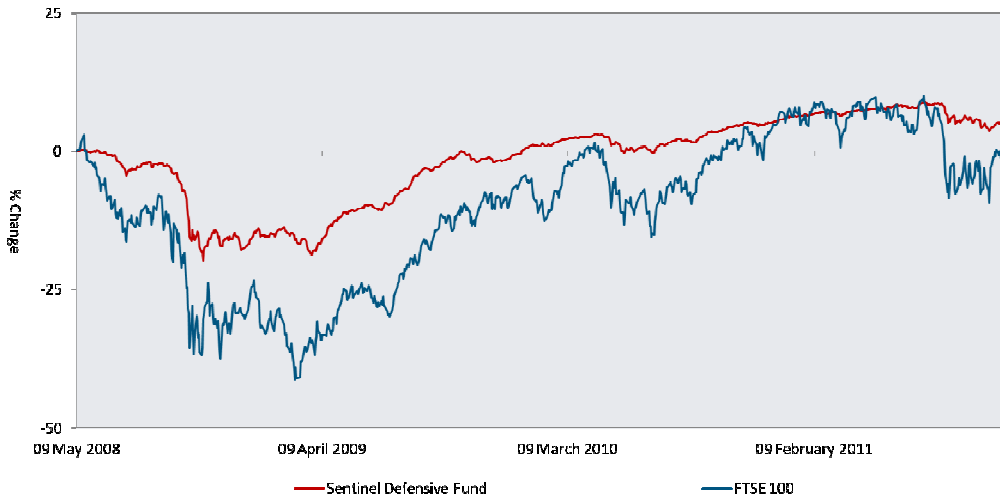
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### Slide 7:

We are not taking more risk (gambling!) just because risk assets have become cheaper. Markets have done their best to attack (hammer!) the Fund and get at the money during the last four months. However, we have defended (with spikes!) the Fund as much as possible.

As we can see the final enticement on the majority of holdings the Fund should be pulled along until the final maturity dates are reached and hopefully the final entitlement received.

## Appendix - Performance Since Launch



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Source: Financial Express data data from 09 May 2008 to 31 October 2011. Taken on a bid to bid, total return UK sterling basis. Past performance is not a guide to future returns.



## Important Information

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### **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.

### **Disclaimer**

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