



Thames River SENTINEL Fund

(Thames River Alternative Strategies Limited)
MULTI-STRATEGY MULTI-MANAGER

**S&P RATED
AA**

Manager Commentary - by Ken Kinsey-Quick / Alex Kuiper

"2010 will be a year of alpha rather than beta." January was a volatile month and 2010 has begun as we expected. (See our 2009 review/2010 outlook note). The markets began the month with the same strength with which they ended December 2009. This strength was short lived as the second half saw a marked sell-off, with markets succumbing to various fears, both real and imagined. There were a number of notable events including China starting to tighten monetary policy, and Greek credit fears, with concerns surrounding the ability of Greece to lower their budget deficit. When Russia defaulted on its debt in 1998, they had a total debt of €51 billion. Greece now has €254 billion with more debt to be added later this year. This negative backdrop is coupled with the fact that it seems that a lot of the good news about economic recovery has been priced into the markets already, and we expect equity returns to be somewhat more muted and volatile this year.

Sentinel's USD NAV for the month of January was -0.7%. The MSCI World ended the month -4.1% down with the Barclays Aggregate Bond Index +1.5%. While the returns were skewed to the negative side the range of returns was generally fairly tight with no significant outliers bar CCP Aristarchus with a return -6.2%. We are of the opinion that 2010 will be a volatile year, allowing stock pickers to thrive. We remain cautiously positioned, using our macro hedging actively to protect the book as we deem appropriate. "Perhaps more than anything else, failure to recognize the precariousness and fickleness of confidence - especially in cases in which large short-term debts need to be rolled over continuously - is the key factor that gives rise to the this-time-is-different syndrome. Highly indebted governments, banks, or corporations can seem to be merrily rolling along for an extended period, when bang!-confidence collapses, lenders disappear, and a crisis hits." This Time is Different (Carmen M. Reinhart and Kenneth Rogoff).

Fund Performance to 29 Jan 2010

| | Est. NAV Per Share | 1 Year | 3 Year | 5 Year |
|----------------|--------------------|--------|--------|---------|
| Class A | \$1,791.01 | +6.15% | +7.95% | +26.41% |
| Class B | €1,131.94 | +5.66% | +6.38% | - |
| Class C | £1,447.96 | +5.94% | +8.62% | +27.56% |

Source: Northern Trust IFAS (Ireland) Ltd. Above rolling returns are cumulative. N.B. Historical performances for distribution share classes may vary from previous issues of the Thames River newsletters. This follows an improvement in the performance calculation methodology (from monthly to daily cumulative), in order to be in line with Global Investment Performance Standards.

\$ Class Statistics (Since January 2003)

| | |
|---------------------------------|---------------|
| Annualised Return | +5.1% |
| Volatility (Standard Deviation) | 4.3% |
| Worst Drawdown | -12.3% |
| Sharpe Ratio (2.36%) | 0.64 |
| Sortino Ratio (MAR = 0%) | 1.91 |

Source: Bloomberg, Pertrac, (NB: Sharpe Ratio risk free rate - Citi 3 Month T-Bill).

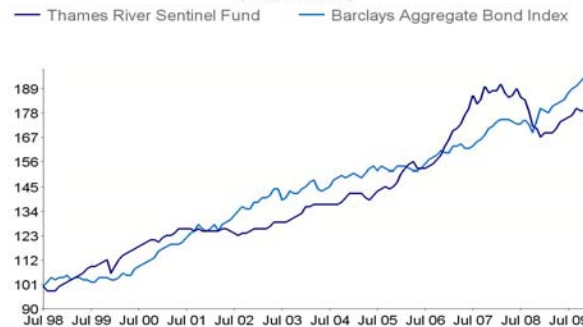
Top 5 Holdings

| | Strategy | Month | YTD |
|---------------------------|----------------|-------|------|
| Cheyne Structured Credit* | Credit | 0.8 | 0.8 |
| COMAC* | Macro | 3.8 | 3.8 |
| CQS Directional Opps* | Multi-Strategy | - | - |
| Paulson Advantage Plus* | Event Driven | -2.0 | -2.0 |
| TR Absolute Return Fund | Multi-Strategy | -0.4 | -0.4 |

*Estimate. Note: YTD figures relate to current underlying managers which may not have been held in the portfolio for the whole of this period.

NAV per share vs Index 31.07.1998 To 29.01.2010

(rebased to \$100)



Source: Northern Trust IFAS (Ireland) Ltd, Bloomberg, TRC

Return History %

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------------|
| 10 | -0.71 | - | - | - | - | - | - | - | - | - | - | - | -0.71 |
| 09 | +0.87 | +0.22 | -0.05 | +0.98 | +1.86 | +0.46 | +0.65 | +0.87 | +1.51 | -0.64 | +0.32 | +0.53 | +7.84 |
| 08 | +0.02 | +1.16 | -2.00 | -0.84 | +0.48 | +1.52 | -1.85 | -0.61 | -2.87 | -3.75 | -1.00 | -1.98 | -11.24 |
| 07 | +1.51 | +2.23 | +0.65 | +1.42 | +2.12 | +1.68 | +3.20 | -1.98 | +1.38 | +3.07 | -1.43 | +0.60 | +15.29 |
| 06 | +2.55 | +1.00 | +1.22 | +1.17 | -1.86 | -0.05 | -0.35 | +0.94 | +0.43 | +1.34 | +1.53 | +2.54 | +10.88 |
| 05 | +0.12 | +0.43 | -0.43 | -1.16 | -0.52 | +1.08 | +1.44 | +0.54 | +1.09 | -0.59 | +0.73 | +1.39 | +4.17 |
| 04 | +1.82 | +0.53 | +0.54 | +0.24 | -0.43 | -0.10 | +0.07 | 0.00 | +0.50 | +0.39 | +1.49 | +1.01 | +6.22 |
| 03 | -0.17 | +0.24 | +0.07 | +0.89 | +1.21 | +0.54 | -0.21 | -0.24 | +1.34 | +0.63 | +0.47 | +0.99 | +5.90 |

The above performance history relates to the Fund's base currency share class only. The full share class history is available in the back of the monthly Newsletter. NAV per share monthly return calculated net of fees. Source: Northern Trust IFAS (Ireland) Ltd, except for those in italics -TRC estimate.

Asset Allocation by Strategy %

| | |
|---------------------|--------------|
| Multi-Strategy (2) | 29.7 |
| Equity L/S (6) | 14.9 |
| Macro (2) | 7.6 |
| Other (2) | 5.4 |
| Credit (2) | 4.5 |
| Event Driven (1) | 4.0 |
| CTA (1) | 2.8 |
| Convertible Arb (1) | 0.4 |
| Macro Hedge | 0.1 |
| Cash* | 30.6 |
| Total | 100.0 |

Note: (x) denotes number of managers. Allocations are shown post new month dealing. * Cash, receivables and other assets

Fund Objective

The fund aims to achieve consistent absolute returns by investing in a well diversified portfolio of hedge funds.
Return target over a cycle: outperform bonds (Lehman Aggregate Bond Index)
Volatility tolerance: lower than bonds (Lehman Aggregate Bond Index)
Loss target: no losing 6 months
Drawdown target: less than 5%
*Please note that investors should be aware of amended liquidity terms

Fund Size (Mn)

\$40.3
Share Classes
\$ (base)/ €£ (hedged)
Launch Price
\$ 1,000 on 31/07/1998
€ 1,000 on 29/09/2006
£ 1,000 on 31/05/2003
Minimum
€/\$£ 10,000
Dealing
Monthly
Redemptions
Monthly with 35 days notice*
Domicile
Cayman Islands/CISX
Unit Type
Roll Up
Charges
Initial Charge Up to 5%
Management Fee 1.5% p.a.
Performance Fee 5% HWM
Redemption Fee 1% (3 months)

Manager

Thames River Capital Holdings Ltd
Thames River Capital LLP
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JP Morgan Hedge Fund Services
Custodian
Northern Trust International Fund Administration Services (Ireland) Ltd
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<http://www.thamesriver.co.uk/downloads/disclosures.htm> <http://www.nevskycapital.com/downloads/disclosures.htm>

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