



# Structured High Yield Bond Sub-Trust of the Panacea Trust

June 2008

### Performance (EUR) Gross of Fees

	1M	3M	YTD	1YR	2YR*	SI <sup>(ann.)</sup>
BlueBay Structured High Yield Bond Sub-Trust of the Panacea Trust	-1.60%	3.31%	-1.64%	-1.10%	3.74%	4.69%
Merrill Lynch European Currency High Yield Constrained Index	-4.06%	2.11%	-4.22%	-7.93%	-0.27%	1.51%
Alpha	2.46%	1.20%	2.59%	6.83%	4.01%	3.18%

### Risk Statistics\*

Standard Deviation	3.38%
Tracking Error	2.27%
Information Ratio	1.42

### Top Sector Overweights

Telecommunications	14.38%
Loan	9.17%
Basic Industry	1.89%
Utility	0.94%
Service Non-Cyclical	0.93%

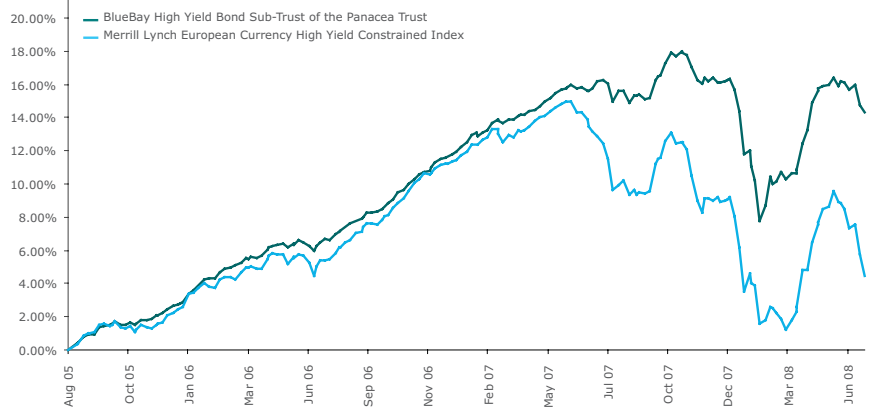
### Top Sector Underweights

Consumer Non-Cyclical	-7.87%
Consumer Cyclical	-7.51%
Capital Goods	-6.30%
Services Cyclical	-5.42%
Finance & Investment	-3.16%

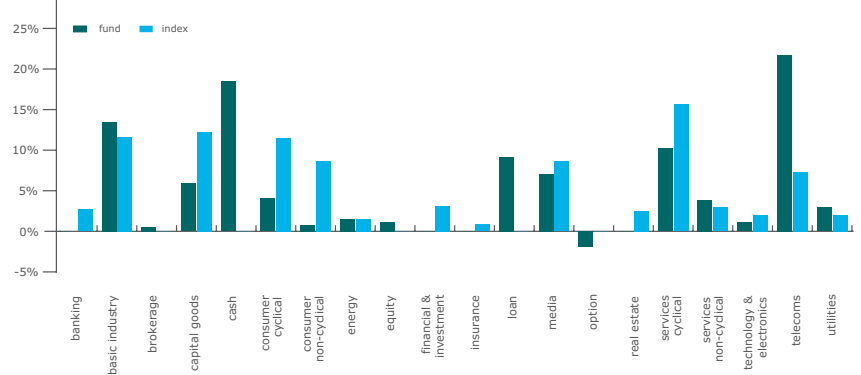
### Investment Objective

To generate, via sector and security selection, a total return in excess of that generated by the Merrill Lynch European Currency High Yield Constrained Index.

### Cumulative Relative Performance\*



### Sector Breakdown



### Fund Commentary

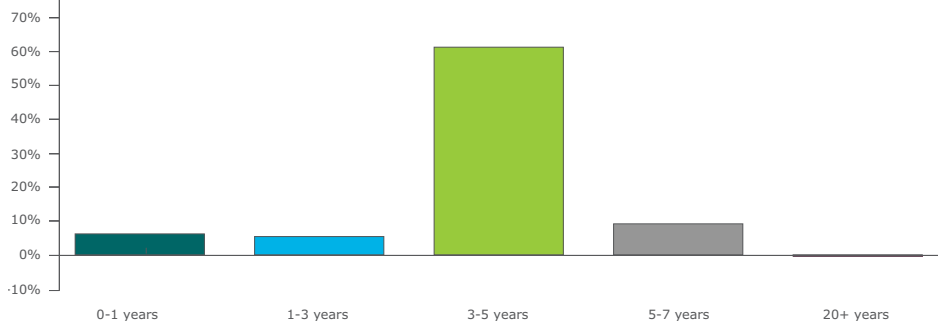
June served as a reminder that both macroeconomic and systemic risks are still very much the key drivers of market sentiment. The European high yield market retraced a significant proportion of the two previous month's gains, returning a negative 4.06%, representing a full 114 bps widening in spreads. The weakness stemmed from rampaging oil prices which led to weaker equities amid concerns of corporate margin pressures and lower consumer demand. Stocks were down heavily on the month, further exacerbated by renewed fears regarding the viability of some financial institutions and weak economic data both out of the US and Europe. The confluence of global inflationary pressures and an ongoing deterioration in the global growth outlook has served to unnerve risk assets in general and high yield is naturally caught up in the contagion.

Our decision to remain very cautiously positioned over the past few months was vindicated in June as we generated an outperformance of 246 bps against the benchmark. We had warned that the bear-market rally was unsustainable and that tighter credit spreads could not be justified given the macro risks, and this proved to be the case. We have continued to focus our investment efforts on defensive credits that are able to withstand recessionary risks, and where security valuations are sustainable. It is very difficult to remain totally immune to beta risk but we can minimise volatility through a combination of

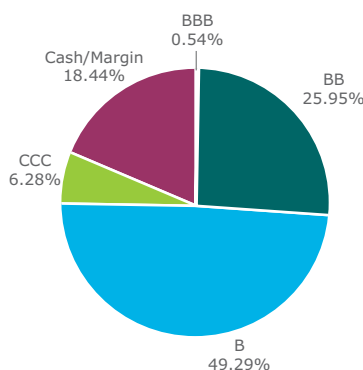
using higher cash balances and appropriate short positioning to buffer capital erosion. Cash positions and single-name shorts actually remained broadly unchanged during the month as we had been appropriately positioned going into June. Further, we did not believe that credit spreads had sufficiently re-priced to deploy the cash. We do think that July will present some interesting opportunities to make selective investments, but our stance will remain defensive.

As we enter the summer lull, where markets become increasingly illiquid, we expect high yield market direction to be dictated by broader macro newsflow. Second quarter earnings kick off in July and our expectation is that risks will be skewed to the downside as the surge in commodity prices and deteriorating consumer-related demand adversely impact corporate earnings. This, together with the likelihood of still higher oil prices and further negative economic data, will likely cap any potential recovery from the June shake-out. That being said, high yield spreads have again returned to more compelling risk-reward levels at north of 700 over, and in an increasingly bifurcated credit environment, there are certainly pockets of opportunity on a name-by-name basis. We are near the point where some securities are unlikely to trade much wider on account of strong fundamental credit characteristics, while equally there are others (particularly CCC's) which still have significant downside risk.

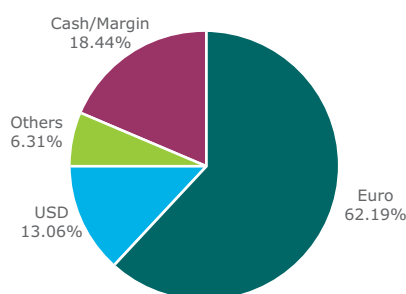
## Duration Distribution



## Credit Quality



## Currency Breakdown



Note: the Non Rated weighting at month end was -0.51%

## Investment Strategy

- The Fund invests predominantly in fixed income securities issued by sub-investment grade companies domiciled in the Eurozone.
- The Fund seeks to generate excess returns via superior sector and security selection; based upon high quality, proprietary research.
- Portfolio duration is controlled within a narrow band relative to the benchmark.

## Team Info

Fund Managers	Anthony Robertson	Peter Higgins
Joined BlueBay	August 2004	January 2008
Investment Experience	12 years	12 years

**Size of team** 28 investment professionals

**Average investment experience** 11 years

## Fund Characteristics

	Fund	Index
Weighted Interest Rate Duration (yrs)	3.20	3.91
Weighted Yield to Worst	8.51	12.29
Weighted Yield to Worst Non-cash diluted	10.34	12.29
Total No. of Issues	91	214
Total No. of Issuers	61	157
Weighted Coupon	7.42	7.38
Weighted Coupon Non-cash diluted	9.01	7.38
Weighted Rating	BB	BB-
Average Position (%)	1.02	0.47

## Top 5 Holdings

Wind Telecom	5.78%
TDC	3.81%
Tim Hellas	3.34%
Unity Media	3.31%
Rhodia	3.31%

## Fund Facts

Inception Date	3 August 2005
Currency	Euros
Benchmark	Merrill Lynch European Currency High Yield Constrained Index
Fund Type	Multi-Class Unit Trust
Domicile	Cayman Islands

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