

# T h e S e n t i n e l F u n d



T o w a t c h o v e r a n d g u a r d

Sentinel Annual Report and Financial Statements (audited)

For the period from 13th May 2008 to 31st July 2009

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## MANAGEMENT AND ADMINISTRATION

The Authorised Corporate Director ("ACD") and registered office of the Sentinel Fund ("the Company"):

### **PREMIER PORTFOLIO MANAGERS LIMITED**

Eastgate Court, High Street,  
Guildford, Surrey, GU1 3DE

Premier Portfolio Managers Limited is authorised and regulated by the Financial Services Authority ("FSA") and is a member of the Investment Management Association ("IMA"). Premier Portfolio Managers Limited and Premier Fund Managers Limited are both members of the Premier Asset Management Marketing Group.

**DIRECTORS OF THE ACD:** Mike O'Shea (Chairman)  
Neil Macpherson (Finance Director)  
Simon Weldon (Managing Director, Sales and Marketing)  
Mark Friend (Managing Director, Operations)  
Mike Hammond (IFA Sales Director)

**INVESTMENT ADVISER:** Premier Fund Managers Limited is the Investment Adviser to the Sentinel Defensive Portfolio, the Sentinel Enterprise Portfolio and the Sentinel Universal Portfolio.

Premier Fund Managers Limited has appointed Williams de Broë Limited as sub-investment Adviser to the Sentinel Enterprise Portfolio and North Investment Partners Limited as sub-investment Adviser to the Sentinel Universal Portfolio.

**DEPOSITARY:** The Royal Bank of Scotland plc  
Trustee & Depositary Services  
The Broadstone,  
50 South Gyle Crescent,  
Edinburgh, EH12 9UZ

**AUDITOR:** Grant Thornton UK LLP  
30 Finsbury Square,  
London, EC2P 2YU

**ADMINISTRATOR & REGISTRAR:** Northern Trust Global Services Limited\*  
PO Box 55736,  
50 Bank Street,  
Canary Wharf,  
London, E14 1BT

\*On 1st December 2008 Northern Trust International Fund Administration Services (UK) Limited transferred its business to Northern Trust Global Services Limited.

### **COMPANY INFORMATION**

The Sentinel Fund is an Investment Company with Variable Capital under regulation 12 of the Open-Ended Investment Company Regulations and incorporated in England and Wales under registered number IC000658 and authorised by the FSA with effect from 1st May 2008. Shareholders are not liable for the debts of the Company. At the period end the Company contained three sub-funds, the Sentinel Defensive Portfolio, the Sentinel Enterprise Portfolio and the Sentinel Universal Portfolio.

The Company is a non-UCITS Retail scheme which complies with the FSA's Collective Investment Schemes sourcebook and is structured as an umbrella company so that different sub-funds may be established from time to time by the ACD with the approval of the FSA and the agreement of the Depositary.

### **STATEMENT OF ACD AND DEPOSITARY'S RESPONSIBILITIES IN RELATION TO THE ACCOUNTS OF THE SCHEME**

The Open-Ended Investment Companies Regulations 2001 and the FSA's Collective Investment Schemes sourcebook ("the Regulations") require the ACD to prepare accounts for each annual accounting period, which give a true and fair view of the financial position of the scheme as at the end of the period and of the net income and the net gains or losses on the property of the scheme for the year then ended. In preparing the accounts, the ACD is required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- comply with the disclosure requirements of the Statement of Recommended Practice relating to 'Financial Statements of Authorised Funds', issued by the IMA in December 2005 and the Instrument of Incorporation.
- follow UK generally accepted accounting principles and applicable accounting standards.
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the scheme will continue in operation.
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements.

The ACD is responsible for the management of the Fund in accordance with its Instrument of Incorporation, the Prospectus and the Regulations.

The Depositary is responsible for safeguarding the property of the scheme and must take reasonable care to ensure that the scheme is managed by the ACD in compliance with the Regulations and the provisions of the Instrument of Incorporation and Prospectus.

The ACD and Depositary are responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# MANAGEMENT AND ADMINISTRATION

## REPORT OF THE ACD TO THE SHAREHOLDERS OF THE COMPANY

The ACD, as sole director, presents its report and the audited financial statements of the Company for the period from 13th May 2008 to 31st July 2009.

The Company is a non-UCITS Retail scheme which complies with the FSA's Collective Investment Schemes sourcebook. The shareholders are not liable for the debts of the Company.

The Investment Objectives and Policies of each sub-fund of the Company are covered in the section for each sub-fund. The sub-funds of an umbrella company should be invested as if they were a single company. The names and addresses of the ACD, the Depositary and the Auditor are detailed on page 2.

In the future there may be other sub-funds of the Company. As a sub-fund is not a legal entity, if the assets attributable to any sub-fund were insufficient to meet the liabilities attributable to it, the shortfall might have to be met out of the assets attributable to one or more other sub-funds of the Company.

## DIRECTORS' STATEMENT

In accordance with the Regulations, we hereby certify the report on behalf of the Directors of Premier Portfolio Managers Limited.



Neil Macpherson

Finance Director (of the ACD)

30th November 2009

Mark Friend

Managing Director, Operations (of the ACD)

## REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS FOR THE PERIOD FROM 13TH MAY 2008 TO 31ST JULY 2009 FOR THE SENTINEL DEFENSIVE PORTFOLIO, THE SENTINEL ENTERPRISE PORTFOLIO AND THE SENTINEL UNIVERSAL PORTFOLIO AS SUB-FUNDS OF THE SENTINEL FUND ('THE COMPANY')

The Depositary is responsible for the safekeeping of all the property of the Company (other than tangible moveable property) which is entrusted to it. It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the FSA's Collective Investment Schemes sourcebook, the Open-Ended Investment Companies Regulations 2001 and the Instrument of Incorporation in relation to the pricing of, and dealings in, shares in the Company, the application of the income of the Company, and the investment and borrowing powers and restrictions applicable to the Company.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depositary, it is our opinion that:

- the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and
- the application of the Company's income have, in all material respects, been carried out in accordance with the provisions of:
  - the Regulations and
  - the Open-Ended Investment Companies Regulations 2001 and
  - the Instrument of Incorporation of the Company

and that, in all material respects, the investment and borrowing powers and restrictions applicable to the Company, in accordance with the provision of the Regulations and Instrument of Incorporation, have been observed.

The Royal Bank of Scotland plc  
Trustee & Depositary Services

30th November 2009

# MANAGEMENT AND ADMINISTRATION

## REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF THE SENTINEL FUND

We have audited the financial statements of the Sentinel Fund for the period ended 31st July 2009. These financial statements consist of the aggregated financial statements of the Company, which comprise the aggregated statement of total return, the aggregated statement of change in shareholders' net assets, the aggregated balance sheet, and the related notes, and for each of the Company's sub-funds, the statement of total return, the statement of change in shareholders' net assets, the portfolio of investments, the balance sheet, the summary of material portfolio changes, the related notes and the distribution tables. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with regulation 67(2) of the Open-Ended Investment Companies Regulations 2001, and with Rule 4.5.12 of the Collective Investment Schemes sourcebook issued by the FSA under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Authorised Corporate Director and the Auditor

The ACD's responsibilities for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (IMA), the Financial Services Authority's (FSA) Collective Investment Schemes sourcebook and the Instrument of Incorporation are set out in the Statement of the ACD and Depositary's Responsibilities in relation to the Accounts of the Scheme.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice "Financial Statements of Authorised Funds" issued by the IMA, the FSA's Collective Investment Schemes sourcebook and the Instrument of Incorporation. We also report to you whether the information given in the Report of the ACD is consistent with the financial statements and we state whether we have been given all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

In addition, we report to you if, in our opinion, proper accounting records for the Company or a sub-fund have not been kept, or if the financial statements are not in agreement with those records.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises comparative tables, investment objectives and policies, investment reviews, total expense ratios and the report of the ACD. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the ACD in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the financial position of the Company and each of the sub-funds as at 31st July 2009 and of the net expense and net gains of the scheme property of the Company and each of the sub-funds for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to 'Financial Statements of Authorised Funds' issued by the IMA in December 2005, the FSA's Collective Investment Schemes sourcebook and the Instrument of Incorporation;
- the information given in the Report of the ACD is consistent with the financial statements.

We have been given all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants  
London, United Kingdom  
30th November 2009

# THE SENTINEL FUND AGGREGATED FINANCIAL STATEMENTS

## STATEMENT OF TOTAL RETURN

For the period from 13th May 2008 to 31st July 2009

|  | Notes | 31/07/09 |            |
|--|-------|----------|------------|
|  |       | £'000    | £'000      |
| Net gains on investments during the period               | 2     |          | 1,266      |
| Other losses   | 3     |          | (6)        |
| Income   | 4     | 872      |            |
| Expenses   | 5     | (1,157)  |            |
| Finance costs: Interest                                  | 7     | (5)      |            |
| Net expense before taxation                              |       | (290)    |            |
| Taxation   | 6     | (52)     |            |
| Net expense after taxation                               |       |          | (342)      |
| Total return before distributions                        |       |          | 918        |
| Finance costs: Distributions                             | 7     |          | (172)      |
| <b>Change in net assets attributable to shareholders</b> |       |          | <b>746</b> |

## STATEMENT OF CHANGE IN SHAREHOLDERS' NET ASSETS

For the period from 13th May 2008 to 31st July 2009

|   | Note | 31/07/09 |               |
|---|------|----------|---------------|
|   |      | £'000    | £'000         |
| <b>Net assets at the start of the period</b>                  |      |          | -             |
| Movements due to sales and repurchases of shares:             |      |          |               |
| Amounts receivable on issue of shares                         |      | 98,843   |               |
| Less: Amount payable on cancellation of shares                |      | (12,009) |               |
|   |      |          | 86,834        |
| Dilution levy   |      |          | 1             |
| Stamp Duty Reserve Tax  |      |          | (42)          |
| Change in net assets attributable to shareholders (see above) |      |          | 746           |
| Retained distribution on accumulation shares                  | 7    |          | 269           |
| Other   |      |          | 1             |
| <b>Net assets at the period end</b>                           |      |          | <b>87,809</b> |

## BALANCE SHEET

As at 31st July 2009

|  | Notes | 31/07/09       |
|--|-------|----------------|
|  |       | £'000          |
| <b>ASSETS</b>                                  |       |                |
| Portfolio of Investments                       |       | 85,074         |
| Debtors  | 8     | 1,263          |
| Cash and bank balances                         | 9     | 7,381          |
| <b>Total other assets</b>                      |       | <b>8,644</b>   |
| <b>Total assets</b>                            |       | <b>93,718</b>  |
| <b>LIABILITIES</b>                             |       |                |
| Creditors                                      | 11    | (4,236)        |
| Bank overdrafts                                | 10    | (1,673)        |
| <b>Total liabilities</b>                       |       | <b>(5,909)</b> |
| <b>Net assets attributable to shareholders</b> |       | <b>87,809</b>  |

The notes on pages 6 to 7 are an integral part of these financial statements.

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson  
Finance Director (of the ACD)  
30th November 2009

Mark Friend  
Managing Director, Operations (of the ACD)

# THE SENTINEL FUND AGGREGATED FINANCIAL STATEMENTS

## NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The accounting policies applied are set out in the notes to the financial statements of each of the sub-funds. The aggregated financial statements represent the summation of the financial statements for each of the sub-funds.

As the Fund launched on 13th May 2008 there are no prior year comparatives.

### 2. NET GAINS ON INVESTMENTS

The gains on investments during the period comprise:

|                                 | 31/07/09<br>£'000 |
|---------------------------------|-------------------|
| Non-derivative securities       | 1,266             |
| <b>Net gains on investments</b> | <b>1,266</b>      |

### 3. OTHER LOSSES

Other losses during the period comprise:

|                                  | 31/07/09<br>£'000 |
|----------------------------------|-------------------|
| Other currency losses            | (6)               |
| <b>Net losses on investments</b> | <b>(6)</b>        |

### 4. INCOME

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Bank interest  | 57                |
| Franked UK dividends   | 11                |
| Overseas dividends   | 60                |
| <b>Payments from authorised collective investment schemes:</b> |                   |
| - Franked distributions  | 40                |
| - Unfranked distributions                                      | 704               |
|  | <b>872</b>        |

### 5. EXPENSES

|  | 31/07/09<br>£'000 |
|--|-------------------|
| <b>Payable to the ACD, associates of the ACD and agents of either of them:</b>               |                   |
| ACD's periodic charge  | 908               |
|  | <b>908</b>        |
| <b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b> |                   |
| Depositary's fees  | 52                |
| Safe custody fees  | 1                 |
| Transaction charges  | 4                 |
|  | <b>57</b>         |

### Other expenses:

|                               |              |
|-------------------------------|--------------|
| Auditor's remuneration        | 21           |
| EMX fees                      | 6            |
| FSA and other regulatory fees | 3            |
| Price publication fees        | 12           |
| Printing fees                 | 3            |
| PRS fees                      | 18           |
| Registration fees             | 120          |
| Set-up costs                  | 9            |
|                               | <b>192</b>   |
| <b>Total expenses</b>         | <b>1,157</b> |

Irrecoverable VAT is included in the above expenses where relevant.

### 6. TAXATION

(a) The tax charge comprises:

|                                       | 31/07/09<br>£'000 |
|---------------------------------------|-------------------|
| <b>Current tax:</b>                   |                   |
| Corporation tax                       | 36                |
| Irrecoverable income tax              | 16                |
| <b>Total current tax (note 6 (b))</b> | <b>52</b>         |

(b) Factors affecting the tax charge for the period

The tax charged for the period is higher than the special 20% rate of corporation tax applicable to open-ended investment companies (OEICs). The differences are explained below:

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Net expense before taxation  | (290)             |
|  | <b>(290)</b>      |
| Return on ordinary activities multiplied by the special rate of corporation tax of 20% | (58)              |

### Effects of:

|  |           |
|--|-----------|
| Franked UK dividends and distributions not subject to taxation | (10)      |
| Irrecoverable income tax                                       | 16        |
| Tax effect of set-up cost                                      | 3         |
| Expenses not utilised in period                                | 103       |
| Non-taxable overseas dividends                                 | (2)       |
| <b>Current tax charge (note 6 (a))</b>                         | <b>52</b> |

Authorised OEICs are exempt from tax on capital gains made within the sub-funds.

Factors that may affect the future tax charge:

The Company has not recognised a deferred tax asset of £102,793 arising as a result of having unutilised management expenses. These are not expected to be utilised in the foreseeable future unless the nature of the sub-funds' income or capital gains changes.

# THE SENTINEL FUND AGGREGATED FINANCIAL STATEMENTS

## 7. FINANCE COSTS

The distributions take into account income received on the issue of shares and income deducted on the cancellation of shares, and comprise:

|  | 31/07/09<br>£'000 |
|--|-------------------|
| <b>Accumulation shares</b>                     |                   |
| Interim accumulation                           | 184               |
| Final accumulation                             | 85                |
|  | <u>269</u>        |
| Add: Income deducted on cancellation of shares | 23                |
| Deduct: Income received on issue of shares     | (120)             |
| <b>Net distributions for the period</b>        | <u>172</u>        |
| Interest                                       | 5                 |
| <b>Total finance costs</b>                     | <u><u>177</u></u> |

The difference between the net income after taxation and the amounts distributed comprises:

|                                     |                   |
|-------------------------------------|-------------------|
| Net expense after taxation          | (342)             |
| Security transaction charges        | 4                 |
| Expenses offset against capital     | (1)               |
| Income deficit                      | 511               |
| <b>Finance costs: Distributions</b> | <u><u>172</u></u> |

## 8. DEBTORS

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Accrued income                         | 96                |
| Amounts receivable for issue of shares | 866               |
| Prepaid expenses                       | 3                 |
| Sales awaiting settlement              | 258               |
| Recoverable income tax                 | 40                |
|  | <u>1,263</u>      |

## 9. CASH AND BANK BALANCES

|                               | 31/07/09<br>£'000   |
|-------------------------------|---------------------|
| Sterling                      | 7,381               |
| <b>Cash and bank balances</b> | <u><u>7,381</u></u> |

## 10. BANK OVERDRAFTS

|                        | 31/07/09<br>£'000   |
|------------------------|---------------------|
| Sterling               | 535                 |
| USD                    | 1,138               |
| <b>Bank overdrafts</b> | <u><u>1,673</u></u> |

## 11. CREDITORS

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Accrued expenses                           | 41                |
| Amounts payable for cancellation of shares | 160               |
| Corporation tax payable                    | 30                |
| Purchases awaiting settlement              | 4,005             |
|  | <u>4,236</u>      |

## 12. SIGNIFICANT AGREEMENTS AND TRANSACTIONS WITH RELATED PARTIES

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

## 13. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or commitments at the balance sheet date.

## 14. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

## 15. SHARE CLASSES

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

## 16. PORTFOLIO TRANSACTION COSTS

|  | 31/07/09<br>£'000     |
|--|-----------------------|
| Analysis of total purchase costs:            |                       |
| Purchases in period before transaction costs | 121,774               |
| Commissions                                  | 53                    |
| Taxes  | 6                     |
| <b>Total purchase costs</b>                  | <u>59</u>             |
| <b>Gross purchases total</b>                 | <u><u>121,833</u></u> |
| Analysis of total sale costs:                |                       |
| Gross sales before transaction costs         | 38,008                |
| Commissions                                  | (15)                  |
| <b>Total sale costs</b>                      | <u>(15)</u>           |
| <b>Total sales net of transaction costs</b>  | <u><u>37,993</u></u>  |

# SENTINEL DEFENSIVE PORTFOLIO

## COMPARATIVE TABLES

### Performance Record

| Calendar Year | High (p) | Low (p) |
|---------------|----------|---------|
|---------------|----------|---------|

#### Income Shares

|                   |        |       |
|-------------------|--------|-------|
| 2008 <sup>1</sup> | 100.40 | 80.05 |
| 2009 <sup>2</sup> | 93.35  | 81.18 |

#### Accumulation Shares

|                   |        |       |
|-------------------|--------|-------|
| 2008 <sup>1</sup> | 100.40 | 80.15 |
| 2009 <sup>2</sup> | 93.26  | 81.18 |

### Income/Accumulation Record

| Calendar Year | Net Income per Share (p) | Net Income per £1,000 at Launch (£) |
|---------------|--------------------------|-------------------------------------|
|---------------|--------------------------|-------------------------------------|

#### Income Shares

|                   |   |   |
|-------------------|---|---|
| 2009 <sup>2</sup> | - | - |
|-------------------|---|---|

#### Accumulation Shares

|                   |   |   |
|-------------------|---|---|
| 2009 <sup>2</sup> | - | - |
|-------------------|---|---|

### Net Asset Values

| As at | Shares in Issue | Net Asset Value per Share (p) | Net Asset Value of Sub-Fund (£) |
|-------|-----------------|-------------------------------|---------------------------------|
|-------|-----------------|-------------------------------|---------------------------------|

#### Income Shares

|            |        |       |            |
|------------|--------|-------|------------|
| 31/07/2009 | 86,865 | 92.42 | 23,471,543 |
|------------|--------|-------|------------|

#### Accumulation Shares

|            |            |       |            |
|------------|------------|-------|------------|
| 31/07/2009 | 25,309,387 | 92.42 | 23,471,543 |
|------------|------------|-------|------------|

<sup>1</sup> From 13th May 2008 to 31st December 2008.

<sup>2</sup> To 31st July 2009.

## TOTAL EXPENSE RATIO (TER)

31/07/09

1.86%

The TER shows the annual operating expenses of the sub-fund including the annual management charge and other expenses. It does not include transaction charges. Funds highlight the TER to help you compare the annual operating expenses to different schemes. The TER for income and accumulation shares is the same.

## INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Sentinel Defensive Portfolio is to provide medium term capital growth from a portfolio of investments.

The investment policy is to invest principally in a combination of zero dividend preference shares of quoted investment companies and securities which, in the Investment Adviser's opinion, are lower risk securities. The Fund may also invest in equities, units in collective investment schemes, fixed interest securities, money market instruments, structured products and other derivative instruments, deposits, warrants, cash and near cash. Investments may be made in immovable property typically through units in collective investment schemes and/or shares of property companies. The Fund may also invest in unregulated collective investment schemes such as hedge funds (where investment in such funds would be consistent with the investment objective and policy of the Fund).

Derivatives may be used by the Fund for both investment purposes and for the purposes of efficient portfolio management (including hedging) and the net asset value of the Fund may, therefore, at times be highly volatile. However, it is the Investment Adviser's intention that the Fund, owing to the portfolio composition or the portfolio management techniques used, will not have volatility over and above the general market volatility of the markets or their underlying investments.

The term 'structured products' simply refers to a group of financial instruments (which may be regarded as transferable securities, collective investment schemes or derivatives depending on the product in question) with varying terms, payout and risk profiles on a range of underlying assets. These products frequently combine the potential upside of market performance with limited downside.

They may also provide a fixed return in exchange for accepting a degree of risk or may generate gains from market falls. In addition to providing exposure to the asset classes described in the investment objective, the intention is that the use of structured products in the context of the Fund should assist with keeping the volatility levels of the Fund relatively low.

## INVESTMENT REVIEW

### PERFORMANCE

The first year of the Fund has been an extremely testing time; it has fallen by 6.74%, having been down much more than this at one stage. Whilst in absolute terms this is disappointing, when viewed against very weak equity markets it is a reasonable outcome. Both the FTSE 100 Index and the FTSE All Share Index were down nearly 22% and the other major markets down more. All three elements of the Fund were affected by a combination of falling markets, widening credit spreads and increased volatility. The funds of hedge funds were amongst the worst performers, several falling by more than 30% at one stage. The result was that over the first seven months of the Fund's year, the unit price fell sharply, producing a poor return. However the fund of hedge funds had a very strong start to the year as they recovered from their ridiculous pre-Xmas valuations and have continued to increase significantly in value throughout 2009. The Zero Dividend Preference Shares (ZDPs) have provided strong returns as credit spreads narrowed due to the worst fears on credit defaults beginning to ease. Finally, the strong equity market rally since March has produced strong returns from the structured products within the portfolio.

### MARKET REVIEW

The events of the past year have provided a number of challenges for fund managers no matter what their remit and this Fund has been no exception. Falling equity markets have to be coped with by all investors but we have had the additional problems of uncertainty over structured product and hedge fund counterparties, record equity market volatility and credit spreads widening to levels higher than those reached in the Great Depression. Indeed all asset classes, with the exception of G7 government bonds, have had a torrid time. A selection of the news in the past year included the nationalisation of Fannie Mae, Freddie Mac; the bankruptcy of Lehmans; the rescue of Fortis, Hypo Real Estate & AIG; the failure of Washington Mutual and Bradford & Bingley and the takeover of Wachovia and Merrill Lynch. In response to this, the Central Banks provided massive liquidity, whilst others increased guarantees to depositors, and the US and UK governments began quasi nationalising several of their large banks. The attempt by policy makers to alleviate the situation continued with the implementation of quantitative easing measures in the US and UK, and a G20 stimulus package finally led to a significant rally in both equity and credit markets. Despite the economic news remaining grim, markets have carried on the rally that started in March. In the last three months, UK equities have risen 8.3% whilst most other markets have recovered more than 10%.

### PORTFOLIO ACTIVITY

The task in the first year has been to build a balanced portfolio that will be able to weather the storms that persist in most market cycles. The exceptional conditions witnessed in the second half of 2008 have proved difficult but the portfolio has emerged in reasonable shape, despite somewhat fraught times in December and again in March. Portfolio turnover should be low with most disposals coming in the shape of redeeming structured products and ZDPs at the end of their stated terms. In addition to this can be added the tenders operated by the funds of hedge funds. When looking at the individual share prices it is apparent that most have produced positive returns. However, a proportion of the fund of hedge fund exposure has been very disappointing and dragged the whole Fund into negative territory.

### OUTLOOK

Given the strong rise in markets, it is probable that we may see a little weakness in the near term, although there is a powerful mood of optimism sweeping through markets at the thought that the end of the recession is in sight. The Fund remains defensively positioned and should be able to withstand any reasonable market correction. There are a number of corporate actions in the fund of hedge fund sector which should continue to add value, whilst ZDPs are benefitting from a renewal of interest which will provide strong support and should continue to drive down gross redemption yields aided by a narrowing of credit spreads.

Source: Premier Fund Managers Limited, August 2009. Performance figures are taken from Financial Express Analytics and are quoted on a bid to bid, total return, UK sterling basis.

# SENTINEL DEFENSIVE PORTFOLIO

## PORTFOLIO OF INVESTMENTS

As at 31st July 2009

| Holding                            | Investment  | Market Value<br>£'000 | Total Value of Sub-Fund % |
|------------------------------------|---|-----------------------|---------------------------|
| <b>FUNDS OF HEDGE FUNDS 36.86%</b> |   |                       |                           |
| <b>Global 28.17%</b>               |   |                       |                           |
| 971,147                            | Acencia Debt Strategies                                   | 595                   | 2.53                      |
| 1,100,000                          | Alternative Investment Strategies                         | 1,081                 | 4.62                      |
| 47,989                             | BH Macro (USD)  | 453                   | 1.93                      |
| 1,000,000                          | Dexion Absolute (USD)                                     | 1,382                 | 5.89                      |
| 900,000                            | Dexion Equity Alternative                                 | 885                   | 3.77                      |
| 871,888                            | FRM Diversified Alpha                                     | 541                   | 2.30                      |
| 178,425                            | Goldman Sachs Dynamic Opportunities (Assented line - USD) | 167                   | 0.71                      |
| 46,575                             | Goldman Sachs Dynamic Opportunities (USD)                 | 41                    | 0.17                      |
| 300,000                            | Juridica Investments <sup>1</sup>                         | 360                   | 1.53                      |
| 214,611                            | MW Tops (USD)   | 1,108                 | 4.72                      |
|                                    |   | <b>6,613</b>          | <b>28.17</b>              |
| <b>United Kingdom 8.69%</b>        |   |                       |                           |
| 2,000,000                          | Bear Stearns Private Equity (GBP)                         | 1,170                 | 4.98                      |
| 375,000                            | Goldman Sachs Dynamic Opportunities (GBP)                 | 273                   | 1.16                      |
| 68,000                             | MW Tops (GBP)   | 598                   | 2.55                      |
|                                    |   | <b>2,041</b>          | <b>8.69</b>               |
| <b>INVESTMENT TRUSTS 32.13%</b>    |   |                       |                           |
| <b>Delisted Securities 0.00%</b>   |   |                       |                           |
| 17,408                             | Royal London UK Equity & Income ZDP                       | -                     | -                         |
| 25,900                             | Zero Preference Growth Trust <sup>2</sup>                 | -                     | -                         |
|                                    |   | <b>-</b>              | <b>-</b>                  |
| <b>United Kingdom 32.13%</b>       |   |                       |                           |
| 60,000                             | Cayenne Trust Sub Share                                   | 3                     | 0.01                      |
| 260,409                            | Defined Capital Return Fund                               | 318                   | 1.35                      |
| 732,000                            | Ecofin Water & Power Finance Plc ZDP                      | 769                   | 3.28                      |
| 1,900,000                          | Electra Private Equity ZDP                                | 1,900                 | 8.09                      |
| 1,450,000                          | Epic Securities ZDP                                       | 1,726                 | 7.35                      |
| 388,941                            | Investec Capital Accumulator                              | 296                   | 1.26                      |
| 175,000                            | Jupiter Second Enhanced Income ZDP                        | 138                   | 0.59                      |
| 275,000                            | REO Securities ZDP  | 89                    | 0.38                      |
| 475,000                            | The Cayenne Trust   | 485                   | 2.07                      |
| 900,000                            | Utilico Finance 2012 ZDP                                  | 1,343                 | 5.72                      |
| 400,000                            | Utilico Finance 2014 ZDP                                  | 476                   | 2.03                      |
|                                    |   | <b>7,543</b>          | <b>32.13</b>              |
| <b>STRUCTURED PLANS 31.65%</b>     |   |                       |                           |
| 650,000                            | Barclays Bank Simple 903 Notes 04/11/13                   | 725                   | 3.09                      |
| 350,000                            | DB Platinum Callable Warrants 27/07/12 (FTSE100)          | 365                   | 1.56                      |
| 1,300,000                          | Elders Investment - Series 16A                            | 1,745                 | 7.43                      |
| 450,000                            | Elders Investment - Series 29A                            | 469                   | 2.00                      |
| 850,000                            | Goldman Sachs FTSE100                                     | 966                   | 4.12                      |
| 800,000                            | Merrill Lynch FTSE100 Call warrant 24/01/2012             | 851                   | 3.63                      |
| 700,000                            | Platinum Warrants 17/04/2015 Guernsey                     | 747                   | 3.18                      |
| 900,000                            | Symphony FTSE100 2013 ZDP                                 | 904                   | 3.85                      |
| 150,000                            | Symphony Structured Defensive Auto Call 4                 | 159                   | 0.68                      |
| 202,000                            | Symphony Structured Defensive FTSE Auto Call 12.5%/20%    | 211                   | 0.90                      |
| 250,000                            | Symphony Structured Products Jersey                       | 283                   | 1.21                      |
|                                    |   | <b>7,425</b>          | <b>31.65</b>              |

| Holding                           | Investment | Market Value<br>£'000 | Total Value of Sub-Fund % |
|-----------------------------------|------------|-----------------------|---------------------------|
| <b>Total Value of Investments</b> |            | <b>23,622</b>         | <b>100.64</b>             |
| <b>Net Other Liabilities</b>      |            | <b>(150)</b>          | <b>(0.64)</b>             |
| <b>Total Net Assets</b>           |            | <b>23,472</b>         | <b>100.00</b>             |

There are no prior year figures as the sub-fund launched on 13th May 2008.

<sup>1</sup>Listed on the AIM

<sup>2</sup>Securities in liquidation

# SENTINEL DEFENSIVE PORTFOLIO

## STATEMENT OF TOTAL RETURN

For the period from 13th May 2008 to 31st July 2009

|  | Notes | 31/07/09          |  |
|--|-------|-------------------|--|
|  |       | £'000             | £'000  |
| Net gains on investments during the period               | 2     |                   | 181  |
| Other losses   | 3     |                   | (19)   |
| Income   | 4     | 32                |  |
| Expenses   | 5     | (339)             |  |
| Finance costs: Interest                                  | 7     | (2)               |  |
|  |       | <u>          </u> |  |
| Net expense before taxation                              |       | (309)             |  |
| Taxation   | 6     | -                 |  |
|  |       | <u>          </u> |  |
| Net expense after taxation                               |       |                   | (309)  |
|  |       |                   | <u>          </u>  |
| Total return before distributions                        |       |                   | (147)  |
|  |       |                   | <u>          </u>  |
| <b>Change in net assets attributable to shareholders</b> |       |                   | <b><u>          </u><br/><u>          </u><br/>(147)</b> |

## STATEMENT OF CHANGE IN SHAREHOLDERS' NET ASSETS

For the period from 13th May 2008 to 31st July 2009

|   | 31/07/09          |   |
|---|-------------------|---|
|   | £'000             | £'000   |
| <b>Net assets at the start of the period</b>                  |                   | -   |
| Movements due to sales and repurchases of shares:             |                   |   |
| Amounts receivable on issue of shares                         | 26,588            |   |
| Less: Amount payable on cancellation of shares                | (2,962)           |   |
|   | <u>          </u> | 23,626  |
| Stamp Duty Reserve Tax  |                   | (8)   |
| Change in net assets attributable to shareholders (see above) |                   | (147)   |
| Compensation monies   |                   | 1   |
|   |                   | <u>          </u>   |
| <b>Net assets at the end of the period</b>                    |                   | <b><u>          </u><br/><u>          </u><br/>23,472</b> |

## BALANCE SHEET

As at 31st July 2009

|  | Notes | 31/07/09  |
|--|-------|---|
|  |       | £'000   |
| <b>ASSETS</b>                                  |       |   |
| Portfolio of Investments                       |       | <u>23,622</u>   |
| Debtors  | 8     | 240   |
| Cash and bank balances                         | 9     | <u>2,411</u>  |
| <b>Total other assets</b>                      |       | <b><u>2,651</u></b>                                       |
| <b>Total assets</b>                            |       | <b><u>26,273</u></b>                                      |
| <b>LIABILITIES</b>                             |       |   |
| Creditors                                      | 11    | (2,505)   |
| Bank overdrafts                                | 10    | <u>(296)</u>  |
| <b>Total liabilities</b>                       |       | <b>(2,801)</b>  |
|  |       | <u>          </u>   |
| <b>Net assets attributable to shareholders</b> |       | <b><u>          </u><br/><u>          </u><br/>23,472</b> |

The notes on pages 12 to 15 are an integral part of these financial statements.

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson  
Finance Director (of the ACD)  
30th November 2009

Mark Friend  
Managing Director, Operations (of the ACD)

# SENTINEL DEFENSIVE PORTFOLIO

## SUMMARY OF MATERIAL PORTFOLIO CHANGES

For the period from 13th May 2008 to 31st July 2009

| Purchases  | Cost £'000     | Note      |
|--|----------------|-----------|
| Electra Private Equity ZDP                           | 1,900          |           |
| Elders Investment - Series 16A                       | 1,659          |           |
| EPIC Securities ZDP                                  | 1,643          |           |
| M&G Recovery ZDP                                     | 1,467          |           |
| JZ Capital Partners ZDP                              | 1,358          |           |
| Dexion Absolute (USD)                                | 1,322          |           |
| AcenciA Debt Strategies                              | 1,316          |           |
| Alternative Investment Strategies                    | 1,248          |           |
| JPMorgan Private Equity ZDP                          | 1,221          |           |
| MW Tops (GBP)  | 1,220          |           |
| Utilico Finance 2012 ZDP                             | 1,215          |           |
| Merrill Lynch FTSE100 Call warrant 24/01/2012        | 1,215          |           |
| MW Tops (USD)  | 1,169          |           |
| Dexion Equity Alternative                            | 1,092          |           |
| BH Macro (USD)                                       | 932            |           |
| Symphony FTSE100 2013 ZDP                            | 894            |           |
| Goldman Sachs FTSE100                                | 850            |           |
| Ecofin Water & Power Finance PLC ZDP                 | 732            |           |
| Goldman Sachs Dynamic Opportunities (GBP)            | 720            |           |
| FRM Diversified Alpha                                | 716            |           |
| Merrill Lynch FTSE 100 Growth                        | 709            |           |
| Platinum Warrants 17/04/2015 Guernsey                | 705            |           |
| Dexion Absolute (GBP)                                | 684            |           |
| Barclays Bank Simple 903 Notes 04/11/2013            | 663            |           |
| Elders Investment-series FTSE 22C                    | 518            |           |
| The Cayenne Trust                                    | 510            |           |
| Other  | 4,136          |           |
| <b>Total purchases during the period</b>             | <b>31,814</b>  | <b>16</b> |
| Sales  | Proceeds £'000 |           |
| M&G Recovery ZDP                                     | 1,538          |           |
| JZ Capital Partners ZDP                              | 1,446          |           |
| Merrill Lynch FTSE100 Growth                         | 850            |           |
| MW Tops (GBP)  | 778            |           |
| Dexion Equity Alternative                            | 674            |           |
| Elders Investment - Series FTSE 22C                  | 517            |           |
| AcenciA Debt Strategies                              | 490            |           |
| Goldman Sachs Dynamic Opportunities (GBP)            | 416            |           |
| Merrill Lynch FTSE100 Call warrant 24/01/2012        | 381            |           |
| BH Macro (USD)                                       | 318            |           |
| BH Macro (GBP)                                       | 248            |           |
| JPMorgan Private Equity ZDP                          | 173            |           |
| Goldman Sachs Absolute Return                        | 172            |           |
| Goldman Sachs Dynamic Opportunities (Assented - USD) | 124            |           |
| Goldman Sachs Dynamic Opportunities (USD)            | 123            |           |
| Dexion Absolute (EUR) (Assented)                     | 74             |           |
| Royal London UK Equity & Income                      | 31             |           |
| <b>Total sales during the period</b>                 | <b>8,353</b>   | <b>16</b> |

The summary of material portfolio changes identifies those purchases or sales exceeding 2% of the net assets of the fund at the end of the period, subject to a minimum disclosure of the twenty largest purchases and sales. There were only 17 sales during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice for 'Financial Statements of Authorised Funds', issued by the IMA in December 2005, the FSA's Collective Investment Schemes sourcebook and the Instrument of Incorporation.

#### Income Recognition

Income from collective investment schemes, and quoted equity and non-equity shares is recognised net of attributable tax credits when the security is quoted ex-dividend.

Accumulation of income relating to accumulation units or shares held in collective investment schemes is recognised as income and included in the amount available for distribution. Equalisation received from distributions or accumulations on units or shares in collective investment schemes is treated as capital and deducted from the cost of the investment.

The gains and losses arising on investments in structured plans are treated as income or capital according to the nature of the structured plan. This is depending on the extent to which the return is capital based or income based.

Holders of zero dividend preference shares are preferentially entitled to a return from the capital reserves of an investment company and accordingly returns on zero dividend preference shares are included within net gains on investments.

Bank interest, underwriting commission and other income are recognised on an accruals basis.

#### Stock Dividends

The ordinary element of stocks received in lieu of cash dividends is recognised as income of the sub-fund. Any enhancement above the cash dividend is treated as capital.

#### Special Dividends

Special dividends are recognised as either income or capital depending upon the nature and circumstances of the dividend.

#### Expenses

For accounting purposes, all expenses (other than SDRT and those relating to the purchase and sale of investments) are charged against income for the period on an accruals basis.

#### Distributions

Amounts distributable are calculated after excluding those expenses relating to the purchase and sale of investments which are borne by capital and expenses borne by capital as agreed by the ACD and Depositary.

The ACD and Depositary have agreed that 100% of the sub-fund's expenses are to be borne by income.

#### Valuations

All investments are valued at their fair value at noon on 31st July 2009, being the last business day of the financial period. The fair value of equity and non-equity shares is bid price, excluding any accrued interest.

The fair value of dual priced collective investment schemes managed by the ACD is their cancellation price and the fair value of the dual priced collective investment schemes which are managed by other management groups is their bid price. The fair value of all single priced collective investment schemes is their single price, taking account of any agreed redemption charges.

Structured plans are valued at the latest price from the product provider.

# SENTINEL DEFENSIVE PORTFOLIO

## Foreign Currencies

Assets and liabilities in currencies other than sterling are translated into sterling at the exchange rates prevailing at noon on the last working day of the accounting period. Transactions in foreign currencies are translated at the exchange rate prevailing at the transaction date. Where forward positions in currencies are held, these are translated at the appropriate forward rate. Any resulting exchange differences in these forward positions are disclosed in net gains/(losses) on investments in the Statement of Total Return.

## Taxation

Corporation tax has been provided for at a rate of 20%. Dividend income and taxation are stated net of any associated tax credits. Deferred tax is fully provided for on all timing differences. Deferred tax assets are recognised only to the extent that the assets are considered to be recoverable.

## Dilution Levy

In certain circumstances the ACD may charge a dilution levy, in accordance with the FSA Regulations, on all subscriptions and redemptions of shares, which is paid into the sub-fund and included in the Statement of Change in Shareholders' Net Assets. The levy is intended to cover certain dealing charges not included in the mid market value of the sub-fund used in calculating the share price, which could have a diluting effect on the performance of the sub-fund.

## Stamp Duty Reserve Tax (SDRT)

SDRT will be charged to the sub-fund. It is the ACD's view that this will not be material.

## 2. NET GAINS ON INVESTMENTS

The net gains on investments during the period comprise:

|                                 | 31/07/09<br>£'000 |
|---------------------------------|-------------------|
| Non-derivative securities       | 181               |
| <b>Net gains on investments</b> | <b>181</b>        |

## 3. OTHER LOSSES

Other losses comprise:

|                       | 31/07/09<br>£'000 |
|-----------------------|-------------------|
| Other currency losses | (19)              |
|                       | <b>(19)</b>       |

## 4. INCOME

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Bank interest  | 28                |
| <b>Payments from authorised collective investment schemes:</b> |                   |
| - Franked distributions  | 4                 |
| - Unfranked distributions                                      | -                 |
|  | <b>32</b>         |

## 5. EXPENSES

|  | 31/07/09<br>£'000 |
|--|-------------------|
| <b>Payable to the ACD, associates of the ACD and agents of either of them:</b>               |                   |
| ACD's periodic charge  | 259               |
|  | <b>259</b>        |
| <b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b> |                   |
| Depositary's fees  | 15                |
| Transaction charges  | 1                 |
|  | <b>16</b>         |
| <b>Other expenses:</b>   |                   |
| Auditor's remuneration   | 6                 |
| EMX fee  | 2                 |
| FSA and other regulatory fees  | 1                 |
| Printing fees  | 1                 |
| Price publication fees   | 4                 |
| PRS fees   | 6                 |
| Registration fees  | 41                |
| Set-up costs   | 3                 |
|  | <b>64</b>         |
| <b>Total expenses</b>  | <b>339</b>        |

Irrecoverable VAT is included in the above expenses where relevant.

## 6. TAX ON ORDINARY ACTIVITIES

(a) There was no tax charge for the period.

(b) Factors affecting the tax charge for the period

The tax charged for the period is higher than the special 20% rate of corporation tax applicable to open-ended investment companies (OEICs). The differences are explained below:

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Net expense before taxation  | (309)             |
|  | <b>(309)</b>      |
| Return on ordinary activities multiplied by the special rate of corporation tax of 20% | (62)              |
| <b>Effects of:</b>   |                   |
| Franked UK dividends and distributions not subject to taxation                         | (1)               |
| Tax effect of set-up costs   | 1                 |
| Expenses not utilised in period  | 62                |
| <b>Current tax charge (note 6 (a))</b>   | <b>-</b>          |

Authorised OEICs are exempt from tax on capital gains made within the sub-funds.

Factors that may affect the future tax charge:

The sub-fund has not recognised a deferred tax asset of £61,702 arising as a result of having unutilised management expenses. These are not expected to be utilised in the foreseeable future unless the nature of the sub-fund's income or capital gains changes.

# SENTINEL DEFENSIVE PORTFOLIO

## 7. FINANCE COSTS

The distributions take into account income received on the issue of shares and income deducted on the cancellation of shares, and comprise:

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Final distribution                             | -                 |
| Final accumulation                             | -                 |
|  | -                 |
| Add: Income deducted on cancellation of shares | -                 |
| Deduct: Income received on issue of shares     | -                 |
| <b>Net distribution for the period</b>         | -                 |
| Interest                                       | 2                 |
| <b>Total finance costs</b>                     | <b>2</b>          |

The difference between the net income after taxation and the amounts distributed comprises:

|                                     |          |
|-------------------------------------|----------|
| Net expense after taxation          | (309)    |
| Expenses offset against capital     | 1        |
| Income deficit                      | 308      |
| <b>Finance costs: Distributions</b> | <b>-</b> |

## 8. DEBTORS

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Amounts receivable for issue of shares | 239               |
| Prepaid expenses                       | 1                 |
|  | 240               |

## 9. CASH AND BANK BALANCES

|                               | 31/07/09<br>£'000 |
|-------------------------------|-------------------|
| Sterling                      | 2,411             |
| <b>Cash and bank balances</b> | <b>2,411</b>      |

## 10. BANK OVERDRAFTS

|                        | 31/07/09<br>£'000 |
|------------------------|-------------------|
| Sterling               | 296               |
| <b>Bank overdrafts</b> | <b>296</b>        |

## 11. CREDITORS

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Accrued expenses                           | 13                |
| Amounts payable for cancellation of shares | 33                |
| Purchases awaiting settlement              | 2,459             |
|  | 2,505             |

## 12. SIGNIFICANT AGREEMENTS AND TRANSACTIONS WITH RELATED PARTIES

### Authorised Corporate Director ("ACD")

The ACD of the sub-fund is Premier Portfolio Managers Limited. The ACD is responsible for managing and administering the sub-fund's affairs in compliance with the FSA Regulations. In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of the sub-fund, calculated on a mid-market basis.

The annual management charge ("AMC") accrues daily and is payable monthly. The current AMC for the sub-fund is set out in note 15 on page 15. Amounts paid to Premier Portfolio Managers Limited in respect of the ACD's periodic charge are disclosed in note 5 on page 13. The balance outstanding at the period end was £nil.

### Investment Adviser

The ACD has appointed Premier Fund Managers Limited to provide investment management and advisory services to the ACD.

### Depository

The sub-fund's Depository is The Royal Bank of Scotland plc. The Depository is responsible for the safekeeping of all of the scheme property of the sub-fund and has a duty to take reasonable care to ensure that the sub-fund is managed in accordance with the provisions of the FSA Regulations relating to the pricing of and dealing in shares and relating to the income of the sub-fund. Subject to FSA Regulations, the Depository has full power under the Depository agreement to delegate (and authorise its delegates to sub-delegate) all or any part of its duties as Depository. It has delegated custody services to The Northern Trust Company. The Depository received for its own account a periodic fee which accrues daily and is payable monthly. The fee is payable out of the property attributable to the sub-fund. The rate of the periodic fee is as agreed between the ACD and the Depository from time to time and subject to a minimum fixed amount of £7,500 per annum and a current maximum of 0.07% of the value of the relevant sub-fund per annum which may be varied from time to time with the agreement of the ACD and the Depository.

The total remuneration payable to the Depository out of the property attributable to each sub-fund for its services also includes transaction charges and custody charges.

Amounts paid to The Royal Bank of Scotland plc in respect of the Depository's services are disclosed in note 5 on page 13. There was nothing due to the Depository at the period end.

## 13. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities at the balance sheet date.

## 14. DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS

In pursuing the sub-fund's investment objective, as set out in the investment objective and policy on page 8, the main risks arising from the sub-fund's financial instruments are market price, currency, interest rate, liquidity and counterparty risk.

### Market Price Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the sub-fund might suffer through holding market positions in the face of price movements. The Investment Adviser considers the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the sub-fund's investment objective.

The Investment Adviser does not use derivative instruments to hedge the investment portfolio against market price risk.

As the sub-fund holds Structured Plans it is exposed to market risk arising from market movements of the FTSE 100.

# SENTINEL DEFENSIVE PORTFOLIO

## Currency Risk

The currency profile of the sub-fund's financial instruments at the balance sheet date (including short term debtors and creditors) was:

### Currency exposure as at 31st July 2009

| Currency     | Portfolio of Investments<br>£'000 | Net other Assets/<br>(Liabilities)<br>£'000 | Total<br>£'000 | Total Exposure<br>% |
|--------------|-----------------------------------|---|----------------|---------------------|
| US dollar    | 3,151                             | -   | 3,151          | 13.42               |
|              | <b>3,151</b>                      | <b>-</b>                                    | <b>3,151</b>   | <b>13.42</b>        |
| Sterling     | 20,471                            | (150)                                       | 20,321         | 86.58               |
| <b>Total</b> | <b>23,622</b>                     | <b>(150)</b>                                | <b>23,472</b>  | <b>100.00</b>       |

There was significant indirect foreign currency exposure within the sub-fund's holdings of collective investment schemes since their assets are denominated in currencies other than sterling, with the effect that their balance sheet and total returns can be affected by exchange rate fluctuations.

## Interest Rate Risk

The sub-fund does not have any material direct interest rate risk as the majority of financial assets are in collective investment schemes, investment trusts and structured plans which do not pay interest. However, some of the underlying collective investment scheme investments may be directly or indirectly exposed to interest rate risk.

The sub-fund will be exposed to some interest rate risk as its financial assets include zero dividend preference shares as disclosed in the portfolio of investments on page 10. Other than this the only interest-bearing financial asset of the sub-fund is bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent.

## Liquidity Risk

The sub-fund's assets comprise mainly readily realisable securities, which can be readily sold. The main liability of the sub-fund is the redemption of any shares that investors wish to sell. All the financial liabilities of the sub-fund fall within one year.

## Counterparty Risk

The sub-fund will be exposed to counterparty risk on parties with whom it trades and will bear the risk of settlement default. The sub-fund minimises concentrations of credit risk by undertaking transactions with a large number of counterparties on recognised and reputable exchanges. The sub-fund only buys and sells investments through brokers which have been approved by the Investment Adviser as an acceptable counterparty and from recognised product providers.

The sub-fund is exposed to counterparty risk with the issuers of structured plans.

The sub-fund is exposed to a credit risk whereby the issuer of securities may default on its obligations.

## Fair Value of Financial Assets and Financial Liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the sub-fund disclosed in the Balance Sheet on page 11.

## Derivatives and Forward Transactions

The sub-fund does not hold any derivatives or forward transactions that could materially impact the value of the sub-fund.

The Investment Adviser does not use derivative instruments to hedge the investment portfolio against risks.

## 15. SHARE CLASSES

The sub-fund currently has two types of share, Income and Accumulation. The AMC on each share class is as follows:

Income: 1.50%

Accumulation: 1.50%

The net asset value, the net asset value per share and the number of shares in issue are given in the comparative tables on page 8.

## 16. PORTFOLIO TRANSACTION COSTS

Analysis of total purchase costs:

|  |                 |
|--|-----------------|
|  | <b>31/07/09</b> |
|  | <b>£'000</b>    |
| Purchases in period before transaction costs | 31,776          |
| Commissions                                  | 35              |
| Other costs                                  | 3               |
| <b>Total purchase costs</b>                  | <b>38</b>       |
| <b>Gross purchases total</b>                 | <b>31,814</b>   |

Analysis of total sale costs:

|   |              |
|---|--------------|
| Gross sales before transaction costs        | 8,357        |
| Commissions                                 | (4)          |
| <b>Total sale costs</b>                     | <b>(4)</b>   |
| <b>Total sales net of transaction costs</b> | <b>8,353</b> |

# SENTINEL ENTERPRISE PORTFOLIO

## COMPARATIVE TABLES

### Performance Record

| Calendar Year              | High (p) | Low (p) |
|----------------------------|----------|---------|
| <b>Income Shares</b>       |          |         |
| 2008 <sup>1</sup>          | 101.70   | 63.40   |
| 2009 <sup>2</sup>          | 87.59    | 67.12   |
| <b>Accumulation Shares</b> |          |         |
| 2008 <sup>1</sup>          | 101.70   | 63.57   |
| 2009 <sup>2</sup>          | 87.55    | 67.12   |

### Income/Accumulation Record

| Calendar Year              | Net Income per Share (p) | Net Income per £1,000 at Launch (£) |
|----------------------------|--------------------------|-------------------------------------|
| <b>Income Shares</b>       |                          |                                     |
| 2009 <sup>2</sup>          | -                        | -                                   |
| <b>Accumulation Shares</b> |                          |                                     |
| 2009 <sup>2</sup>          | -                        | -                                   |

### Net Asset Values

| As at                      | Shares in Issue | Net Asset Value per Share (p) | Net Asset Value of Sub-Fund (£) |
|----------------------------|-----------------|-------------------------------|---------------------------------|
| <b>Income Shares</b>       |                 |                               |                                 |
| 31/07/2009                 | 126,744         | 82.86                         | 25,029,109                      |
| <b>Accumulation Shares</b> |                 |                               |                                 |
| 31/07/2009                 | 30,077,981      | 82.86                         | 25,029,109                      |

<sup>1</sup> From 13th May 2008 to 31st December 2008.

<sup>2</sup> To 31st July 2009.

## TOTAL EXPENSE RATIO - SYNTHETIC (TER)

31/07/09

2.94%

The TER shows the annual operating expenses of the sub-fund including the annual management charge and other expenses. It does not include transaction charges. Funds highlight the TER to help you compare the annual operating expenses to different schemes. The TER for income and accumulation shares is the same.

## INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Sentinel Enterprise Portfolio is to provide long term capital growth from a portfolio of investments.

The investment policy of the Fund is to invest mainly in units of equity and fixed interest based collective investment schemes, the majority of which will be UK investment funds. The Fund may also invest in equities, fixed interest securities, money market instruments, structured products and other derivative instruments, deposits, warrants, cash and near cash. Investments may be made indirectly in immovable property typically through units in collective investment schemes and/or shares in property companies. The Fund may also invest in unregulated collective investment schemes such as hedge funds (where investment in such funds would be consistent with the investment objective and policy of the Fund).

Derivatives may be used by the Fund for both investment purposes and for the purposes of efficient portfolio management (including hedging) and the net asset value of the Fund may, therefore, at times be highly volatile. However, it is the Investment Adviser's intention that the Fund, owing to the portfolio composition or the portfolio management techniques used, will not have volatility over and above the general market volatility of the markets or their underlying investments.

The term 'structured products' simply refers to a group of financial instruments (which may be regarded as transferable securities, collective investment schemes or derivatives depending on the product in question) with varying terms, payout and risk profiles on a range of underlying assets. These products frequently combine the potential upside of market performance with limited downside.

They may also provide a fixed return in exchange for accepting a degree of risk or may generate gains from market falls. In addition to providing exposure to the asset classes described in the investment objective, the intention is that the use of structured products in the context of the Fund should assist with keeping the volatility levels of the Fund relatively low.

## INVESTMENT REVIEW

### PERFORMANCE

Over this reporting period, the significant impact of the global credit crisis has meant that equity markets have fallen across the globe. For a sterling investor the global returns improved significantly due to the weakness of sterling, however, the concerns for equity markets were the same across the globe. Over the reporting period from launch to 31st July 2009, the Fund fell by 17.09% which is a fair reflection of global equity markets.

### MARKET REVIEW

Economics have been dominated by the near collapse of global financial systems. This was initially averted with the support provided to Bear Sterns, however, the lack of support for Lehman Brothers in September saw unprecedented falls from respected financial institutions.

Monetary and fiscal policy action was undertaken to fight off a systemic collapse. Risk rose substantially as correlations between markets increased. The subsequent collapse in riskier assets then pushed volatility levels to record highs.

Returns over the year were to some extent dominated by commodities and currencies. The oil price rose to nearly \$150 and then fell to just \$40. Concerns over the UK economy amidst drastically reducing interest rates led to significant sterling weakness versus its peer group.

This has been an extremely difficult time for Fund Managers, as stock markets around the globe have exhibited some sharp swings reflecting changing sentiment towards whether we are still in a recession or looking forward to an economic recovery. Other considerations include the questions of deflation or inflation, the resurgence of a commodity run and the advent of a new bull market or just a "dead cat bounce".

### PORTFOLIO ACTIVITY

Our investment strategy is to remain fairly fully invested and, hence during the market fall out in reaction to the credit crisis, performance was duly impacted. However, in the recent recovery we have been well positioned to benefit from the positive market movements. The Fund has utilised a diverse range of assets including long only equity funds, 130/30 funds (i.e. a fund that can go long and short at the same time), thematic funds and structured products. Recent activity has utilised Fund inflows to continue supporting funds within the emerging markets as well as introducing a new holding of the Allianz China A share fund which is able to invest in the local market.

## OUTLOOK

The debate continues as to whether this is a bear market rally or a new bull market. However, what is apparent is that sentiment has improved markedly allowing markets to recover from a severely oversold position. The improvement in sentiment reflects confidence that the benefits of fiscal stimulus packages, low interest rates and reduced energy costs will now feed through to the broader market. As many focus on the US offering the potential to be the first in and then out of recession a key signal will be a stabilising in property prices.

There are now many quality companies available at distressed prices and our portfolio is positioned for a recovery. We anticipate that Emerging Markets will react almost as quickly as the US to signs of recovery and hence could provide returns in excess of those expected for the G7 Economies. Emerging Markets' superior fiscal position should insulate them from the worst of the global downturn and increasing domestic consumption should help to sustain growth.

Whilst equities may run into some headwinds in the shorter term following a recent strong run, with institutions sitting on high cash positions and interest rates likely to remain low for some considerable time, equities should receive support. Much will depend on the strength of second quarter earnings numbers and the willingness of institutional investors to reduce their cash positions in favour of equities.

Source: Williams De Broë Limited, August 2009. Performance figures are taken from Financial Express Analytics and are quoted on a bid to bid, total return, UK sterling basis.

# SENTINEL ENTERPRISE PORTFOLIO

## PORTFOLIO OF INVESTMENTS

As at 31st July 2009

| Holding                                     | Investment  | Market Value<br>£'000 | Total Value of<br>Sub-Fund<br>% |
|---|---|-----------------------|---------------------------------|
| <b>COLLECTIVE INVESTMENT SCHEMES 88.12%</b> |   |                       |                                 |
| <b>Europe 18.25%</b>                        |   |                       |                                 |
| 1,213,430                                   | Argonaut European Alpha                             | 1,466                 | 5.86                            |
| 565,885                                     | Neptune European Opportunities                      | 1,691                 | 6.76                            |
| 650,180                                     | Neptune Russia and Greater Russia                   | 1,410                 | 5.63                            |
|   |   | <b>4,567</b>          | <b>18.25</b>                    |
| <b>Global 49.12%</b>                        |   |                       |                                 |
| 1,150                                       | Allianz RCM China 'A' Shares (USD)                  | 871                   | 3.48                            |
| 622,860                                     | Fidelity China Focus                                | 1,876                 | 7.50                            |
| 2,822,856                                   | Hexam Global Emerging Markets                       | 2,865                 | 11.45                           |
| 1,891,150                                   | Investec Global Gold 'I'                            | 2,160                 | 8.63                            |
| 928,120                                     | Investec Africa & Middle East                       | 863                   | 3.45                            |
| 197,244                                     | Martin Currie GF Global Resources (USD)             | 2,276                 | 9.09                            |
| 1,676,250                                   | Neptune Latin America                               | 1,382                 | 5.52                            |
|   |   | <b>12,293</b>         | <b>49.12</b>                    |
| <b>North America 11.73%</b>                 |   |                       |                                 |
| 3,331,685                                   | Martin Currie North American Alpha                  | 2,935                 | 11.73                           |
|   |   | <b>2,935</b>          | <b>11.73</b>                    |
| <b>United Kingdom 9.02%</b>                 |   |                       |                                 |
| 1,945                                       | Ignis International Cartesian UK Equity 130/30      | 2                     | 0.01                            |
| 2,216,106                                   | River and Mercantile UK Equity<br>Smaller Companies | 1,664                 | 6.65                            |
| 656,840                                     | Schroder UK Alpha 'A'                               | 590                   | 2.36                            |
|   |   | <b>2,256</b>          | <b>9.02</b>                     |
| <b>STRUCTURED PLANS 6.67%</b>               |   |                       |                                 |
| <b>United Kingdom 6.67%</b>                 |   |                       |                                 |
| 1,405,000                                   | Symphony Structured Products Jersey                 | 1,670                 | 6.67                            |
|   |   | <b>1,670</b>          | <b>6.67</b>                     |
| <b>Total Value of Investments</b>           |   | <b>23,721</b>         | <b>94.79</b>                    |
| <b>Net Other Assets</b>                     |   | <b>1,308</b>          | <b>5.21</b>                     |
| <b>Total Net Assets</b>                     |   | <b>25,029</b>         | <b>100.00</b>                   |

There are no prior year figures as the sub-fund launched on 13th May 2008.

# SENTINEL ENTERPRISE PORTFOLIO

## STATEMENT OF TOTAL RETURN

For the period from 13th May 2008 to 31st July 2009

|  | Notes |  | 31/07/09<br>£'000 | 31/07/09<br>£'000 |
|--|-------|--|-------------------|-------------------|
| Net gains on investments during the period               | 2     |  |                   | 447               |
| Other gains  | 3     |  |                   | 8                 |
| Income   | 4     |  | 130               |                   |
| Expenses   | 5     |  | (319)             |                   |
| Finance costs: Interest                                  | 7     |  | (1)               |                   |
| Net expense before taxation                              |       |  | (190)             |                   |
| Taxation   | 6     |  | (16)              |                   |
| Net expense after taxation                               |       |  | (206)             |                   |
| Total return before distributions                        |       |  |                   | 249               |
| Finance costs: Distributions                             | 7     |  |                   | 1                 |
| <b>Change in net assets attributable to shareholders</b> |       |  |                   | <b>250</b>        |

## STATEMENT OF CHANGE IN SHAREHOLDERS' NET ASSETS

For the period from 13th May 2008 to 31st July 2009

|   | 31/07/09<br>£'000 | 31/07/09<br>£'000 |
|---|-------------------|-------------------|
| <b>Net assets at the start of the period</b>                  |                   | -                 |
| Movements due to sales and repurchases of shares:             |                   |                   |
| Amounts receivable on issue of shares                         | 28,153            |                   |
| Less: Amount payable on cancellation of shares                | (3,361)           |                   |
|   |                   | 24,792            |
| Stamp Duty Reserve Tax  |                   | (13)              |
| Change in net assets attributable to shareholders (see above) |                   | 250               |
| <b>Net assets at the end of the period</b>                    |                   | <b>25,029</b>     |

## BALANCE SHEET

As at 31st July 2009

|  | Notes | 31/07/09<br>£'000 |
|--|-------|-------------------|
| <b>ASSETS</b>                                  |       |                   |
| <b>Portfolio of Investments</b>                |       | <b>23,721</b>     |
| Debtors  | 8     | 286               |
| Cash and bank balances                         | 9     | 3,755             |
| <b>Total other assets</b>                      |       | <b>4,041</b>      |
| <b>Total assets</b>                            |       | <b>27,762</b>     |
| <b>LIABILITIES</b>                             |       |                   |
| Creditors                                      | 11    | (1,604)           |
| Bank overdrafts                                | 10    | (1,129)           |
| <b>Total liabilities</b>                       |       | <b>(2,733)</b>    |
| <b>Net assets attributable to shareholders</b> |       | <b>25,029</b>     |

The notes on pages 20 to 23 are an integral part of these financial statements.  
On behalf of Premier Portfolio Managers Limited.



Neil Macpherson  
Finance Director (of the ACD)  
30th November 2009

Mark Friend  
Managing Director, Operations (of the ACD)

# SENTINEL ENTERPRISE PORTFOLIO

## SUMMARY OF MATERIAL PORTFOLIO CHANGES

For the period from 13th May 2008 to 31st July 2009

| Purchases  | Cost £'000     | Note      |
|--|----------------|-----------|
| Martin Currie North American Alpha               | 3,055          |           |
| Martin Currie GF Global Resources (USD)          | 2,364          |           |
| Hexam Global Emerging Markets                    | 2,242          |           |
| Ignis International Cartesian UK Equity 130/30   | 2,205          |           |
| Investec Global Gold 'I'                         | 2,050          |           |
| Neptune European Opportunities                   | 1,675          |           |
| River and Mercantile UK Equity Smaller Companies | 1,500          |           |
| Argonaut European Alpha                          | 1,485          |           |
| Societe Generale Japan Core Alpha                | 1,477          |           |
| Fidelity China Focus                             | 1,458          |           |
| Neptune Russia and Greater Russia                | 1,418          |           |
| Symphony Structured Products Jersey              | 1,414          |           |
| Neptune Latin America                            | 1,333          |           |
| New Star UK Alpha 'I'                            | 1,163          |           |
| Resolution International Cartesian UK Equity     | 1,088          |           |
| JPMorgan Structured Commodity                    | 1,038          |           |
| Investec Africa & Middle East                    | 860            |           |
| New Star European Growth                         | 803            |           |
| Allianz RCM China 'A' Shares (USD)               | 776            |           |
| Schroder UK Alpha 'A'                            | 690            |           |
| Other  | 454            |           |
| <b>Total purchases during the year</b>           | <b>30,548</b>  | <b>16</b> |
| Sales  | Proceeds £'000 |           |
| Ignis International Cartesian UK Equity 130/30   | 2,047          |           |
| Societe Generale Japan Core Alpha                | 1,567          |           |
| JPMorgan Structured Commodity                    | 1,036          |           |
| Resolution International Cartesian UK Equity     | 924            |           |
| New Star UK Alpha 'I'                            | 814            |           |
| New Star European Growth                         | 696            |           |
| F&C UK Opportunities                             | 281            |           |
| <b>Total sales during the year</b>               | <b>7,365</b>   | <b>16</b> |

The summary of material portfolio changes identifies those purchases or sales exceeding 2% of the net assets of the fund at the end of the period, subject to a minimum disclosure of the twenty largest purchases and sales. There were only 7 sales during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice for 'Financial Statements of Authorised Funds', issued by the IMA in December 2005, the FSA's Collective Investment Schemes sourcebook and the Instrument of Incorporation.

#### Income Recognition

Income from collective investment schemes, and quoted equity and non-equity shares is recognised net of attributable tax credits when the security is quoted ex-dividend.

Accumulation of income relating to accumulation units or shares held in collective investment schemes is recognised as income and included in the amount available for distribution. Equalisation received from distributions or accumulations on units or shares in collective investment schemes is treated as capital and deducted from the cost of the investment.

The gains and losses arising on investments in structured plans are treated as income or capital according to the nature of the structured plan. This is depending on the extent to which the return is capital based or income based.

Bank interest, underwriting commission and other income are recognised on an accruals basis.

#### Stock Dividends

The ordinary element of stocks received in lieu of cash dividends is recognised as income of the sub-fund. Any enhancement above the cash dividend is treated as capital.

#### Special Dividends

Special dividends are recognised as either income or capital depending upon the nature and circumstances of the dividend.

#### Expenses

For accounting purposes, all expenses (other than SDRT and those relating to the purchase and sale of investments) are charged against income for the period on an accruals basis.

#### Distributions

Amounts distributable are calculated after excluding those expenses relating to the purchase and sale of investments which are borne by capital and expenses borne by capital as agreed by the ACD and Depositary.

The ACD and Depositary have agreed that 100% of the sub-fund's expenses are to be borne by income.

#### Valuations

All investments are valued at their fair value at noon on 31st July 2009, being the last business day of the financial period. The fair value of equity and non-equity shares is bid price, excluding any accrued interest.

The fair value of dual priced collective investment schemes managed by the ACD is their cancellation price and the fair value of the dual priced collective investment schemes which are managed by other management groups is their bid price. The fair value of all single priced collective investment schemes is their single price, taking account of any agreed redemption charges.

Structured plans are valued at the latest price from the product provider.

# SENTINEL ENTERPRISE PORTFOLIO

## Foreign Currencies

Assets and liabilities in currencies other than sterling are translated into sterling at the exchange rates prevailing at noon on the last working day of the accounting period. Transactions in foreign currencies are translated at the exchange rate prevailing at the transaction date. Where forward positions in currencies are held, these are translated at the appropriate forward rate. Any resulting exchange differences in these forward positions are disclosed in net gains/(losses) on investments in the Statement of Total Return.

## Taxation

Corporation tax has been provided for at a rate of 20%. Dividend income and taxation are stated net of any associated tax credits. Deferred tax is fully provided for on all timing differences. Deferred tax assets are recognised only to the extent that the assets are considered to be recoverable.

## Dilution Levy

In certain circumstances the ACD may charge a dilution levy, in accordance with the FSA Regulations, on all subscriptions and redemptions of shares, which is paid into the sub-fund and included in the Statement of Change in Shareholders' Net Assets. The levy is intended to cover certain dealing charges not included in the mid market value of the sub-fund used in calculating the share price, which could have a diluting effect on the performance of the sub-fund.

## Stamp Duty Reserve Tax (SDRT)

SDRT will be charged to the sub-fund. It is the ACD's view that this will not be material.

## 2. NET GAINS ON INVESTMENTS

The net gains on investments during the period comprise:

|                                 | 31/07/09<br>£'000 |
|---------------------------------|-------------------|
| Non-derivative securities       | 447               |
| <b>Net gains on investments</b> | <b>447</b>        |

## 3. OTHER GAINS

Other gains comprise:

|                      | 31/07/09<br>£'000 |
|----------------------|-------------------|
| Other currency gains | 8                 |
|                      | <b>8</b>          |

## 4. INCOME

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Bank interest  | 14                |
| <b>Payments from authorised collective investment schemes:</b> |                   |
| - Franked distributions  | 21                |
| - Unfranked distributions                                      | 95                |
|  | <b>130</b>        |

## 5. EXPENSES

|  | 31/07/09<br>£'000 |
|--|-------------------|
| <b>Payable to the ACD, associates of the ACD and agents of either of them:</b> |                   |
| ACD's periodic charge  | 239               |
|  | <b>239</b>        |

## Payable to the Depositary, associates of the Depositary and agents of either of them:

|                     |           |
|---------------------|-----------|
| Depositary's fees   | 15        |
| Transaction charges | 2         |
|                     | <b>17</b> |

## Other expenses:

|                               |            |
|-------------------------------|------------|
| Auditor's remuneration        | 7          |
| EMX fees                      | 2          |
| FSA and other regulatory fees | 1          |
| Printing fees                 | 1          |
| Price publication fees        | 4          |
| PRS fees                      | 6          |
| Registration fees             | 39         |
| Set-up costs                  | 3          |
|                               | <b>63</b>  |
| <b>Total expenses</b>         | <b>319</b> |

Irrecoverable VAT is included in the above expenses where relevant.

## 6. TAXATION

(a) The tax charge comprises:

|                                       | 31/07/09<br>£'000 |
|---------------------------------------|-------------------|
| <b>Current tax:</b>                   |                   |
| Irrecoverable income tax              | 16                |
| <b>Total current tax (note 6 (b))</b> | <b>16</b>         |

(b) Factors affecting the tax charge for the period

The tax charged for the period is higher than the special 20% rate of corporation tax applicable to open-ended investment companies (OEICs). The differences are explained below:

|                             | 31/07/09<br>£'000 |
|-----------------------------|-------------------|
| Net expense before taxation | (190)             |
|                             | <b>(190)</b>      |

Return on ordinary activities multiplied by the special rate of corporation tax of 20%

|  |           |
|--|-----------|
|  | (38)      |
| <b>Effects of:</b>   |           |
| Franked UK dividends and distributions not subject to taxation | (4)       |
| Irrecoverable income tax                                       | 16        |
| Tax effect of set-up costs                                     | 1         |
| Expenses not utilised in period                                | 41        |
| <b>Current tax charge (note 6 (a))</b>                         | <b>16</b> |

Authorised OEICs are exempt from tax on capital gains made within the sub-funds.

Factors that may affect the future tax charge:

The sub-fund has not recognised a deferred tax asset of £41,091 arising as a result of having unutilised management expenses. These are not expected to be utilised in the foreseeable future unless the nature of the sub-fund's income or capital gains changes.

# SENTINEL ENTERPRISE PORTFOLIO

## 7. FINANCE COSTS

The distributions take into account income received on the issue of shares and income deducted on the cancellation of shares, and comprise:

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Final distribution                             | -                 |
| Final accumulation                             | -                 |
|  | -                 |
| Add: Income deducted on cancellation of shares | 2                 |
| Deduct: Income received on issue of shares     | (3)               |
| <b>Net distribution for the period</b>         | <b>(1)</b>        |
| Interest                                       | 1                 |
| <b>Total finance costs</b>                     | <b>-</b>          |

The difference between the net income after taxation and the amounts distributed comprises:

|   |            |
|---|------------|
| Net expense after taxation                    | (206)      |
| Tax effect on expenses offset against capital | 2          |
| Income deficit                                | 203        |
| <b>Finance costs: Distributions</b>           | <b>(1)</b> |

## 8. DEBTORS

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Accrued income                         | 46                |
| Amounts receivable for issue of shares | 236               |
| Prepaid expenses                       | 1                 |
| Recoverable income tax                 | 3                 |
|  | 286               |

## 9. CASH AND BANK BALANCES

|                               | 31/07/09<br>£'000 |
|-------------------------------|-------------------|
| Sterling                      | 3,755             |
| <b>Cash and bank balances</b> | <b>3,755</b>      |

## 10. BANK OVERDRAFTS

|                        | 31/07/09<br>£'000 |
|------------------------|-------------------|
| Sterling               | 239               |
| US dollar              | 890               |
| <b>Bank overdrafts</b> | <b>1,129</b>      |

## 11. CREDITORS

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Accrued expenses                           | 14                |
| Amounts payable for cancellation of shares | 44                |
| Purchases awaiting settlement              | 1,546             |
|  | 1,604             |

## 12. SIGNIFICANT AGREEMENTS AND TRANSACTIONS WITH RELATED PARTIES

### Authorised Corporate Director ("ACD")

The ACD of the sub-fund is Premier Portfolio Managers Limited. The ACD is responsible for managing and administering the sub-fund's affairs in compliance with the FSA Regulations. In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of the sub-fund, calculated on a mid-market basis.

The annual management charge ("AMC") accrues daily and is payable monthly. The current AMC for the sub-fund is set out in note 15 on page 23. Amounts paid to Premier Portfolio Managers Limited in respect of the ACD's periodic charge are disclosed in note 5 on page 21. The balance outstanding at the period end was £nil.

### Investment Adviser

The ACD has appointed Premier Fund Managers Limited to provide investment management and advisory services to the ACD.

The Investment Adviser has appointed Williams de Broë as sub-Investment Adviser to the sub-fund.

### Depository

The sub-fund's Depository is The Royal Bank of Scotland plc. The Depository is responsible for the safekeeping of all of the scheme property of the sub-fund and has a duty to take reasonable care to ensure that the sub-fund is managed in accordance with the provisions of the FSA Regulations relating to the pricing of and dealing in shares and relating to the income of the sub-fund. Subject to FSA Regulations, the Depository has full power under the Depository agreement to delegate (and authorise its delegates to sub-delegate) all or any part of its duties as Depository. It has delegated custody services to The Northern Trust Company. The Depository received for its own account a periodic fee which accrues daily and is payable monthly. The fee is payable out of the property attributable to the sub-fund. The rate of the periodic fee is as agreed between the ACD and the Depository from time to time and subject to a minimum fixed amount of £7,500 per annum and a current maximum of 0.07% of the value of the relevant sub-fund per annum which may be varied from time to time with the agreement of the ACD and the Depository.

The total remuneration payable to the Depository out of the property attributable to each sub-fund for its services also includes transaction charges and custody charges.

Amounts paid to The Royal Bank of Scotland plc in respect of the Depository's services are disclosed in note 5 on page 21. There was nothing due to the Depository at the period end.

## 13. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or commitments at the balance sheet date.

## 14. DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS

In pursuing the sub-fund's investment objective, as set out in the investment objective and policy on page 16, the main risks arising from the sub-fund's financial instruments are market price, currency, interest rate, liquidity and counterparty risk.

### Market Price Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the sub-fund might suffer through holding market positions in the face of price movements. The Investment Adviser considers the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the sub-fund's investment objective.

The Investment Adviser and sub-Investment Adviser do not use derivative instruments to hedge the investment portfolio against risks as, in their opinion, the cost of such a process would result in an unacceptable reduction in the potential capital growth.

# SENTINEL ENTERPRISE PORTFOLIO

## Currency Risk

The currency profile of the sub-fund's financial instruments at the balance sheet date (including short term debtors and creditors) was:

### Currency exposure as at 31st July 2009

| Currency     | Portfolio of Investments<br>£'000 | Net other Assets/<br>(Liabilities)<br>£'000 | Total<br>£'000 | Total Exposure<br>% |
|--------------|-----------------------------------|---|----------------|---------------------|
| US dollar    | 3,148                             | (890)                                       | 2,258          | 9.02                |
|              | <b>3,148</b>                      | <b>(890)</b>                                | <b>2,258</b>   | <b>9.02</b>         |
| Sterling     | 20,573                            | 2,198                                       | 22,771         | 90.98               |
| <b>Total</b> | <b>23,721</b>                     | <b>1,308</b>                                | <b>25,029</b>  | <b>100.00</b>       |

There was significant indirect foreign currency exposure within the sub-fund's holdings of collective investment schemes since their assets are denominated in currencies other than sterling, with the effect that their balance sheet and total returns can be affected by exchange rate fluctuations.

## Interest Rate Risk

The sub-fund does not have any material direct interest rate risk as the majority of financial assets are in collective investment schemes, investment trusts and structured plans which do not pay interest. However, some of the underlying collective investment scheme investments may be directly or indirectly exposed to interest rate risk.

The only interest-bearing financial asset of the sub-fund is bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent.

## Liquidity Risk

The sub-fund's assets comprise mainly readily realisable securities, which can be readily sold. The main liability of the sub-fund is the redemption of any shares that investors wish to sell. All the financial liabilities of the sub-fund fall within one year.

## Counterparty Risk

The sub-fund will be exposed to counterparty risk on parties with whom it trades and will bear the risk of settlement default. The sub-fund minimises concentrations of credit risk by undertaking transactions with a large number of counterparties on recognised and reputable exchanges. The sub-fund only buys and sells investments through brokers which have been approved by the Investment Adviser and sub-Investment Adviser as an acceptable counterparty and from recognised product providers.

The sub-fund is exposed to counterparty risk with the issuers of structured plans.

The sub-fund is exposed to a credit risk whereby the issuer of securities may default on its obligations.

## Fair Value of Financial Assets and Financial Liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the sub-fund disclosed in the Balance Sheet on page 19.

## Derivatives and Forward Transactions

The sub-fund does not hold any derivatives or forward transactions that could materially impact the value of the sub-fund.

The Investment Adviser and sub-Investment Adviser do not use derivative instruments to hedge the investment portfolio against risks.

## 15. SHARE CLASSES

The sub-fund currently has two types of share, Income and Accumulation. The AMC on each share class is as follows:

Income: 1.50%

Accumulation: 1.50%

The net asset value, the net asset value per share and the number of shares in issue are given in the comparative tables on page 16.

## 16. PORTFOLIO TRANSACTION COSTS

Analysis of total purchase costs:

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Purchases in period before transaction costs | 30,548            |
| Commissions                                  | -                 |
| Other costs                                  | -                 |
| <b>Total purchase costs</b>                  | <b>-</b>          |
| <b>Gross purchases total</b>                 | <b>30,548</b>     |

Analysis of total sale costs:

|   |              |
|---|--------------|
| Gross sales before transaction costs        | 7,370        |
| Commissions                                 | (5)          |
| <b>Total sale costs</b>                     | <b>(5)</b>   |
| <b>Total sales net of transaction costs</b> | <b>7,365</b> |

# SENTINEL UNIVERSAL PORTFOLIO

## COMPARATIVE TABLES

### Performance Record

| Calendar Year | High (p) | Low (p) |
|---------------|----------|---------|
|---------------|----------|---------|

#### Income Shares

|                   |        |       |
|-------------------|--------|-------|
| 2008 <sup>1</sup> | 100.00 | 84.24 |
| 2009 <sup>2</sup> | 96.45  | 75.91 |

#### Accumulation Shares

|                   |        |       |
|-------------------|--------|-------|
| 2008 <sup>1</sup> | 100.00 | 84.59 |
| 2009 <sup>2</sup> | 96.80  | 75.94 |

### Income/Accumulation Record

| Calendar Year | Net Income per Share (p) | Net Income per £1,000 at Launch (£) |
|---------------|--------------------------|-------------------------------------|
|---------------|--------------------------|-------------------------------------|

#### Income Shares

|                   |        |      |
|-------------------|--------|------|
| 2009 <sup>2</sup> | 0.5103 | 5.10 |
|-------------------|--------|------|

#### Accumulation Shares

|                   |        |      |
|-------------------|--------|------|
| 2009 <sup>2</sup> | 0.7888 | 7.89 |
|-------------------|--------|------|

### Net Asset Values

| As at | Shares in Issue | Net Asset Value per Share (p) | Net Asset Value of Sub-Fund (£) |
|-------|-----------------|-------------------------------|---------------------------------|
|-------|-----------------|-------------------------------|---------------------------------|

#### Income Shares

|            |         |       |            |
|------------|---------|-------|------------|
| 31/07/2009 | 193,142 | 96.12 | 39,308,481 |
|------------|---------|-------|------------|

#### Accumulation Shares

|            |            |       |            |
|------------|------------|-------|------------|
| 31/07/2009 | 40,556,900 | 96.46 | 39,308,481 |
|------------|------------|-------|------------|

<sup>1</sup> From 13th May 2008 to 31st December 2008.

<sup>2</sup> To 31st July 2009.

## TOTAL EXPENSE RATIO - SYNTHETIC (TER)

31/07/09

2.08%

The TER shows the annual operating expenses of the sub-fund including the annual management charge and other expenses. It does not include transaction charges. Funds highlight the TER to help you compare the annual operating expenses to different schemes. The TER for income and accumulation shares is the same.

## INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Sentinel Universal Portfolio is to provide capital growth from a portfolio of investments.

The investment policy of the Fund is to invest mainly in units of collective investment schemes. The Fund may also invest in equities, fixed interest securities, money market instruments, structured products and other derivative instruments, deposits, warrants, cash and near cash. Investment may be made indirectly in immovable property typically through units in collective investment schemes and/or shares in property companies. The Fund may also invest in unregulated collective investment schemes such as hedge funds (where investment in such funds would be consistent with the investment objective and policy of the Fund).

Derivatives may be used by the Fund for both investment purposes and for the purposes of efficient portfolio management (including hedging) and the net asset value of the Fund may, therefore, at times be highly volatile. However, it is the Investment Adviser's intention that the Fund, owing to the portfolio composition or the portfolio management techniques used, will not have volatility over and above the general market volatility of the markets or their underlying investments.

The term 'structured products' simply refers to a group of financial instruments (which may be regarded as transferable securities, collective investment schemes or derivatives depending on the product in question) with varying terms, payout and risk profiles on a range of underlying assets. These products frequently combine the potential upside of market performance with limited downside.

They may also provide a fixed return in exchange for accepting a degree of risk or may generate gains from market falls. In addition to providing exposure to the asset classes described in the investment objective, the intention is that the use of structured products in the context of the Fund should assist with keeping the volatility levels of the Fund relatively low.

## INVESTMENT REVIEW

### PERFORMANCE

The world's financial markets have staged a remarkable and dramatic rebound over the last five months with investor confidence improving significantly from the extreme lows in March. The global financial system, which faced near collapse in late 2008 has been rescued by the concerted efforts of governments and central banks worldwide. With interest rates down to historic lows and unprecedented fiscal stimulus, liquidity has flooded the markets. In this environment, investors' appetite for risk assets has returned once more. Against this backdrop, the Sentinel Universal Portfolio fell by 3.2% for the period under review.

### MARKET REVIEW

For most of 2008 we believed that the sub prime crisis, which was born in the US, had been contained by the authorities there. By the middle of the year, the US economy was clearly slowing but elsewhere in the world growth was still buoyant. However, like the majority of other investors, we did not foresee the collapse of Lehman Brothers and the historic events that followed.

Hopes that the new year would bring much needed stability to the world's financial markets were dashed early on as the recession became much deeper than initially expected. The credit crisis deteriorated further as Western banks sank deeper into trouble, with governments and central banks working overtime to provide bail outs and rescue packages. Prudent monetary policy was abandoned as interest rates were slashed close to zero. In addition, governments announced fiscal measures in an attempt to support and reflate their failing economies. Understandably, investors treated these actions with suspicion and fear, a sign of desperation on behalf of the authorities and we witnessed the classic capitulation in markets in March.

With equities now priced at bargain prices, value investors began to appear again. The announcement of Quantitative Easing in the US and UK, where authorities injected further liquidity into the markets by buying government and corporate bonds, also helped to ease investor fears. It was then that equity markets staged a strong rally together with credit and commodity markets on hopes of a recovery.

The rally in equities gathered pace in the second quarter as expectations of an economic recovery continued to grow. We saw a fall in volatility, improvement in interbank lending, credit spreads tightening and rising commodity prices. The "we're not bust rally" saw heavily indebted cyclical stocks surge, the so called injured and walking wounded of the market. The return of investors' appetite for risk saw emerging markets outperform developed markets, corporate bonds beat sovereign debt and smaller companies rise more than blue chips.

Banks in the UK and US underwent a stress test to determine their ability to withstand further damage from a global slowdown. Even though the results in the UK were not disclosed and the rigor of the US examination questionable, the effect on sentiment was positive. With the threat of nationalisation abating, the banking sector led the rebound in markets. These results also helped confidence in the money markets and LIBOR returned to levels seen before the Lehman Brothers collapse last September. Against this background corporate bonds made good headway. On the other hand, government bonds were weak with concerns over an ever increasing supply and a change of investor attitude to risk assets.

After the sharp rebound in risk assets in early March, the rally stalled in June. The market consolidated as investors grew increasingly concerned about the lack of hard evidence of economic recovery as opposed to less bad news. The lack of visibility in corporate earnings, the increase in government borrowing and the possible downgrade on UK credit played heavily on the minds of investors.

## PORTFOLIO ACTIVITY

After a broad market rally, we believe dispersion in sectors and individual stocks will reappear. A market which is willing to reward winners will suit the active fund managers. As such we have begun to sell down our holdings in index tracking Exchange Traded Funds in favour of active stock pickers. We sold iShares FTSE 100 Index to buy Schroder Income Maximiser, a fund which can also provide downside protection in falling markets. This theme has been carried into overseas markets and we have invested in AXA Framlington American Growth Fund. This fund has been managed for over a decade by Stephen Kelly who has a focus on growth and quality. Our fixed interest holdings have also been reviewed and we made the switch from corporate bond to strategic bond funds. Funds such as Legal & General Dynamic Bond Trust and M&G Optimal Income allow experienced fund managers to tactically asset allocate across all bond sectors. Finally, we have added some new names to absolute return holdings, Artemis Strategic Assets and Absolute Insight UK Equity Neutral Fund.

## OUTLOOK

There are signs of the emergence of more stable economic data and the markets are no longer anticipating a depression or a slump but rather a severe recession. Whilst many investors have decided that the fiscal and monetary stimulus will eventually succeed in leading to a recovery, the question now is how sustainable is this recovery when the economic fundamentals remain poor? Unemployment continues to rise against a background of high levels of indebtedness amongst the government, businesses and households. The fact that corporate earnings continue to surprise is more a reflection of the behavior of analysts who have swung from too optimistic to overly pessimistic in less than a year. For now corporate earnings are being driven more by cost cutting than sales or revenue growth. However, we believe that we have seen the worst in terms of this economic slowdown and that next year will see the beginnings of a recovery. Interest rates will stay low for now and short term the risk is deflation rather than inflation. In this environment we continue to favour equities and corporate bonds.

Source: North Investment Partners, August 2009. Performance figures are taken from Financial Express Analytics and are quoted on a bid to bid, total return, UK sterling basis.

# SENTINEL UNIVERSAL PORTFOLIO

## PORTFOLIO OF INVESTMENTS

As at 31st July 2009

| Holding                                     | Investment                                  | Market Value<br>£'000 | Total Value of Sub-Fund % |
|---|---|-----------------------|---------------------------|
| <b>COLLECTIVE INVESTMENT SCHEMES 69.57%</b> |   |                       |                           |
| <b>Europe 5.67%</b>                         |   |                       |                           |
| 13,412                                      | BNP Paribas Insticash                       | 2,228                 | 5.67                      |
|   |   | <b>2,228</b>          | <b>5.67</b>               |
| <b>Global 25.09%</b>                        |   |                       |                           |
| 27,045                                      | Atlantis China Fortune (USD)                | 25                    | 0.06                      |
| 442,073                                     | AXA Framlington American Growth             | 731                   | 1.86                      |
| 92,445                                      | Chirin Absolute Asia Alpha                  | 1,025                 | 2.61                      |
| 841,709                                     | First State Asia Pacific 'B'                | 2,154                 | 5.48                      |
| 212,209                                     | First State China Pacific 'B'               | 620                   | 1.58                      |
| 161,198                                     | First State India                           | 214                   | 0.54                      |
| 60,683                                      | Gartmore China Opportunities                | 335                   | 0.85                      |
| 1,025,126                                   | Martin Currie Japan Alpha                   | 805                   | 2.05                      |
| 3,388,446                                   | M&G Optimal Income                          | 3,666                 | 9.33                      |
| 190,000                                     | Schroder Asia Pacific                       | 285                   | 0.73                      |
|   |   | <b>9,860</b>          | <b>25.09</b>              |
| <b>United Kingdom 38.81%</b>                |   |                       |                           |
| 963,811                                     | Absolute Insight UK Equity Market 'B'       | 1,046                 | 2.66                      |
| 826,105                                     | Allianz Global Investors RCM BRIC Stars 'C' | 1,082                 | 2.75                      |
| 1,495,462                                   | Artemis Managers Strategic Assets Fund 'I'  | 725                   | 1.84                      |
| 24,979                                      | BlackRock UK Special Situations             | 243                   | 0.62                      |
| 100,000                                     | FRM Credit Alpha                            | 70                    | 0.18                      |
| 688,182                                     | Gartmore FM UK Absolute Return 'I'          | 723                   | 1.84                      |
| 2,266,465                                   | Goldman Sachs Sterling Liquid Reserves      | 2,266                 | 5.76                      |
| 2,260,000                                   | Insight Liquidity                           | 2,260                 | 5.75                      |
| 1,736,674                                   | Invesco Corporate Bond                      | 1,677                 | 4.27                      |
| 2,902,485                                   | Legal and General Dynamic Bond 'I'          | 1,620                 | 4.12                      |
| 396,459                                     | Neptune European Opportunities 'A'          | 1,108                 | 2.82                      |
| 2,182,472                                   | Premier Portfolio Pan European Property     | 736                   | 1.87                      |
| 337,041                                     | River & Mercantile UK Equity                | 230                   | 0.59                      |
| 3,723,835                                   | Schroder Income Maximiser 'A'               | 1,471                 | 3.74                      |
|   |   | <b>15,257</b>         | <b>38.81</b>              |
| <b>EXCHANGE TRADED FUNDS 15.64%</b>         |   |                       |                           |
| <b>Far East 0.55%</b>                       |   |                       |                           |
| 12,600                                      | iShares MSCI Taiwan                         | 216                   | 0.55                      |
|   |   | <b>216</b>            | <b>0.55</b>               |
| <b>North America 4.82%</b>                  |   |                       |                           |
| 4,000                                       | Gold Bullion securities (USD)               | 222                   | 0.56                      |
| 281,000                                     | iShares S&P 500                             | 1,675                 | 4.26                      |
|   |   | <b>1,897</b>          | <b>4.82</b>               |
| <b>United Kingdom 10.27%</b>                |   |                       |                           |
| 5,900                                       | ETFS Oil Securities (USD)                   | 177                   | 0.45                      |
| 831,900                                     | iShares FTSE 100                            | 3,861                 | 9.82                      |
|   |   | <b>4,038</b>          | <b>10.27</b>              |

| Holding                           | Investment                                | Market Value<br>£'000 | Total Value of Sub-Fund % |
|-----------------------------------|---|-----------------------|---------------------------|
| <b>INVESTMENT TRUSTS 3.63%</b>    |   |                       |                           |
| <b>Global 3.46%</b>               |   |                       |                           |
| 500,500                           | EW&PO Finance                             | 526                   | 1.34                      |
| 209,000                           | Invesco Asia                              | 235                   | 0.60                      |
| 227,791                           | Psource                                   | 131                   | 0.33                      |
| 83,967                            | Quorum Oil and Gas (USD)                  | 466                   | 1.19                      |
|                                   |   | <b>1,358</b>          | <b>3.46</b>               |
| <b>Property 0.17%</b>             |   |                       |                           |
| 150,000                           | Terra Catalyst <sup>1</sup>               | 68                    | 0.17                      |
|                                   |   | <b>68</b>             | <b>0.17</b>               |
| <b>STRUCTURED PLANS 7.16%</b>     |   |                       |                           |
| 129,610                           | Barclays 0% 27/06/2013                    | 138                   | 0.35                      |
| 704,000                           | BNP Paribas Harewood Structure 'A'        | 560                   | 1.42                      |
| 1,055,000                         | Goldman Sachs Emerging Markets 25/06/2012 | 1,044                 | 2.67                      |
| 35,300,000                        | Goldman Sachs 25/05/2012                  | 141                   | 0.36                      |
| 770,700                           | Goldman Sachs FTSE 100 20/10/2011         | 926                   | 2.36                      |
|                                   |   | <b>2,809</b>          | <b>7.16</b>               |
| <b>Total Value of Investments</b> |   | <b>37,731</b>         | <b>96.00</b>              |
| <b>Net Other Assets</b>           |   | <b>1,577</b>          | <b>4.00</b>               |
| <b>Total Net Assets</b>           |   | <b>39,308</b>         | <b>100.00</b>             |

There are no prior year figures as the sub-fund launched on 13th May 2008.

<sup>1</sup>Listed on the AIM

# SENTINEL UNIVERSAL PORTFOLIO

## STATEMENT OF TOTAL RETURN

For the period from 13th May 2008 to 31st July 2009

|  | Notes | 31/07/09 |            |
|--|-------|----------|------------|
|  |       | £'000    | £'000      |
| Net gains on investments during the period               | 2     |          | 638        |
| Other gains  | 3     |          | 5          |
| Income   | 4     | 710      |            |
| Expenses   | 5     | (499)    |            |
| Finance costs: Interest                                  | 7     | (2)      |            |
| Net income before taxation                               |       | 209      |            |
| Taxation   | 6     | (36)     |            |
| Net income after taxation                                |       |          | 173        |
| Total return before distributions                        |       |          | 816        |
| Finance costs: Distributions                             | 7     |          | (173)      |
| <b>Change in net assets attributable to shareholders</b> |       |          | <b>643</b> |

## STATEMENT OF CHANGE IN SHAREHOLDERS' NET ASSETS

For the period from 13th May 2008 to 31st July 2009

|   | Note | 31/07/09 |               |
|---|------|----------|---------------|
|   |      | £'000    | £'000         |
| <b>Net assets at the start of the period</b>                  |      |          | -             |
| Movements due to sales and repurchases of shares:             |      |          |               |
| Amounts receivable on issue of shares                         |      | 44,102   |               |
| Less: Amount payable on cancellation of shares                |      | (5,686)  |               |
|   |      |          | 38,416        |
| Dilution levy   |      |          | 1             |
| Stamp Duty Reserve Tax  |      |          | (21)          |
| Change in net assets attributable to shareholders (see above) |      |          | 643           |
| Retained distribution on accumulation shares                  | 7    |          | 269           |
| <b>Net assets at the end of the period</b>                    |      |          | <b>39,308</b> |

## BALANCE SHEET

As at 31st July 2009

|  | Notes | 31/07/09      |
|--|-------|---------------|
|  |       | £'000         |
| <b>ASSETS</b>                                  |       |               |
| <b>Portfolio of Investments</b>                |       | <b>37,731</b> |
| Debtors  | 8     | 737           |
| Cash and bank balances                         | 9     | 1,215         |
| <b>Total other assets</b>                      |       | <b>1,952</b>  |
| <b>Total assets</b>                            |       | <b>39,683</b> |
| <b>LIABILITIES</b>                             |       |               |
| Creditors                                      | 11    | (127)         |
| Bank overdrafts                                | 10    | (248)         |
| <b>Total liabilities</b>                       |       | <b>(375)</b>  |
| <b>Net assets attributable to shareholders</b> |       | <b>39,308</b> |

The notes on pages 28 to 31 are an integral part of these financial statements.  
On behalf of Premier Portfolio Managers Limited.



Neil Macpherson  
Finance Director (of the ACD)  
30th November 2009

Mark Friend  
Managing Director, Operations (of the ACD)

# SENTINEL UNIVERSAL PORTFOLIO

## SUMMARY OF MATERIAL PORTFOLIO CHANGES

For the period from 13th May 2008 to 31st July 2009

| Purchases                                   | Cost £'000            | Note      |
|---|-----------------------|-----------|
| iShares FTSE 100                            | 7,997                 |           |
| Goldman Sachs Sterling Liquid Reserves      | 6,267                 |           |
| BNP Paribas Insticash                       | 5,904                 |           |
| Insight Liquidity                           | 5,570                 |           |
| M&G Optimal Income                          | 3,013                 |           |
| Invesco Corporate Bond                      | 3,013                 |           |
| iShares S&P 500                             | 2,937                 |           |
| First State Asia Pacific 'B'                | 2,067                 |           |
| Legal and General Dynamic Bond 'I'          | 1,518                 |           |
| iShares UK Dividend Plus                    | 1,166                 |           |
| Schroder Income Maximiser 'A'               | 1,103                 |           |
| Allianz Global Investors RCM BRIC Stars 'C' | 1,082                 |           |
| Goldman Sachs 25/05/2012                    | 1,055                 |           |
| Absolute Insight UK Equity Market 'B'       | 1,044                 |           |
| Neptune European Opportunities 'A'          | 1,020                 |           |
| iShares FTSE 250                            | 1,020                 |           |
| Chirin Absolute Asia Alpha                  | 944                   |           |
| Martin Currie Japan Alpha                   | 809                   |           |
| Goldman Sachs FTSE 100 20/10/2011           | 770                   |           |
| Artemis Managers Strategic Assets Fund 'I'  | 725                   |           |
| Other                                       | 10,447                |           |
| <b>Total purchases during the year</b>      | <b>59,471</b>         | <b>16</b> |
| <b>Sales</b>                                | <b>Proceeds £'000</b> |           |
| iShares FTSE 100                            | 4,061                 |           |
| Goldman Sachs Sterling Liquid Reserves      | 4,000                 |           |
| BNP Paribas Insticash                       | 3,750                 |           |
| Insight Liquidity                           | 3,310                 |           |
| Invesco Corporate Bond                      | 1,518                 |           |
| iShares S&P 500                             | 1,017                 |           |
| iShares FTSE 250                            | 987                   |           |
| iShares UK Dividend Plus                    | 959                   |           |
| Veritas Asian Fund 'A'                      | 673                   |           |
| iShares MSCI Latin America                  | 652                   |           |
| iShares MSCI Japan                          | 377                   |           |
| JPMorgan Europe Dynamic 'B'                 | 291                   |           |
| RAB European Dynamic 'A'                    | 268                   |           |
| First State China Pacific 'B'               | 250                   |           |
| Atlantis China Fortune (USD)                | 90                    |           |
| Coupland Cardiff Japan Alpha 'B'            | 56                    |           |
| Neptune Investment Managers Russia          | 16                    |           |
| <b>Total sales during the year</b>          | <b>22,275</b>         | <b>16</b> |

The summary of material portfolio changes identifies those purchases or sales exceeding 2% of the net assets of the fund at the end of the period, subject to a minimum disclosure of the twenty largest purchases and sales. There were only 17 sales during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice for 'Financial Statements of Authorised Funds', issued by the IMA in December 2005, the FSA's Collective Investment Schemes sourcebook and the Instrument of Incorporation.

#### Income Recognition

Income from collective investment schemes, and quoted equity and non-equity shares is recognised net of attributable tax credits when the security is quoted ex-dividend.

Accumulation of income relating to accumulation units or shares held in collective investment schemes is recognised as income and included in the amount available for distribution. Equalisation received from distributions or accumulations on units or shares in collective investment schemes is treated as capital and deducted from the cost of the investment.

The gains and losses arising on investments in structured plans are treated as income or capital according to the nature of the structured plan. This is depending on the extent to which the return is capital based or income based.

Bank interest, underwriting commission and other income are recognised on an accruals basis.

#### Stock Dividends

The ordinary element of stocks received in lieu of cash dividends is recognised as income of the sub-fund. Any enhancement above the cash dividend is treated as capital.

#### Special Dividends

Special dividends are recognised as either income or capital depending upon the nature and circumstances of the dividend.

#### Expenses

For accounting purposes, all expenses (other than SDRT and those relating to the purchase and sale of investments) are charged against income for the period on an accruals basis.

#### Distributions

Amounts distributable are calculated after excluding those expenses relating to the purchase and sale of investments which are borne by capital and expenses borne by capital as agreed by the ACD and Depositary.

The ACD and Depositary have agreed that 100% of the sub-fund's expenses are to be borne by income.

#### Valuations

All investments are valued at their fair value at noon on 31st July 2009, being the last business day of the financial period. The fair value of equity and non-equity shares is bid price, excluding any accrued interest.

The fair value of dual priced collective investment schemes managed by the ACD is their cancellation price and the fair value of the dual priced collective investment schemes which are managed by other management groups is their bid price. The fair value of all single priced collective investment schemes is their single price, taking account of any agreed redemption charges.

Structured plans are valued at the latest price from the product provider.

# SENTINEL UNIVERSAL PORTFOLIO

## Foreign Currencies

Assets and liabilities in currencies other than sterling are translated into sterling at the exchange rates prevailing at noon on the last working day of the accounting period. Transactions in foreign currencies are translated at the exchange rate prevailing at the transaction date. Where forward positions in currencies are held, these are translated at the appropriate forward rate. Any resulting exchange differences in these forward positions are disclosed in net gains/(losses) on investments in the Statement of Total Return.

## Taxation

Corporation tax has been provided for at a rate of 20%. Dividend income and taxation are stated net of any associated tax credits. Deferred tax is fully provided for on all timing differences. Deferred tax assets are recognised only to the extent that the assets are considered to be recoverable.

## Dilution Levy

In certain circumstances the ACD may charge a dilution levy, in accordance with the FSA Regulations, on all subscriptions and redemptions of shares, which is paid into the sub-fund and included in the Statement of Change in Shareholders' Net Assets. The levy is intended to cover certain dealing charges not included in the mid market value of the sub-fund used in calculating the share price, which could have a diluting effect on the performance of the sub-fund.

## Stamp Duty Reserve Tax (SDRT)

SDRT will be charged to the sub-fund. It is the ACD's view that this will not be material.

## 2. NET GAINS ON INVESTMENTS

The net gains on investments during the year comprise:

|                                 | 31/07/09<br>£'000 |
|---------------------------------|-------------------|
| Non-derivative securities       | 638               |
| <b>Net gains on investments</b> | <b>638</b>        |

## 3. OTHER GAINS

Other gains comprise:

|                      | 31/07/09<br>£'000 |
|----------------------|-------------------|
| Other currency gains | 5                 |
|                      | <u>5</u>          |

## 4. INCOME

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Bank interest  | 57                |
| Overseas dividends   | 18                |
| Franked UK dividends   | 11                |
| <b>Payments from authorised collective investment schemes:</b> |                   |
| - Franked distributions  | 15                |
| - Unfranked distributions                                      | 609               |
|  | <u>710</u>        |

## 5. EXPENSES

|  | 31/07/09<br>£'000 |
|--|-------------------|
| <b>Payable to the ACD, associates of the ACD and agents of either of them:</b> |                   |
| ACD's periodic charge  | 410               |
|  | <u>410</u>        |

## Payable to the Depositary, associates of the Depositary and agents of either of them:

|                     |           |
|---------------------|-----------|
| Depositary's fees   | 22        |
| Transaction charges | 1         |
| Safe custody fees   | 1         |
|                     | <u>24</u> |

## Other expenses:

|                               |            |
|-------------------------------|------------|
| Auditor's remuneration        | 8          |
| EMX fees                      | 2          |
| FSA and other regulatory fees | 1          |
| Printing fees                 | 1          |
| Price publication fees        | 4          |
| PRS fees                      | 6          |
| Registration fees             | 40         |
| Set-up costs                  | 3          |
|                               | <u>65</u>  |
| <b>Total expenses</b>         | <b>499</b> |

Irrecoverable VAT is included in the above expenses where relevant.

## 6. TAXATION

(a) The tax charge comprises:

|                                       | 31/07/09<br>£'000 |
|---------------------------------------|-------------------|
| <b>Current tax:</b>                   |                   |
| Corporation tax                       | 36                |
| <b>Total current tax (note 6 (b))</b> | <b>36</b>         |

(b) Factors affecting the tax charge for the period

The tax charged for the period is lower than the special 20% rate of corporation tax applicable to open-ended investment companies (OEICs). The differences are explained below:

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Net income before taxation   | 209               |
|  | <u>209</u>        |
| Return on ordinary activities multiplied by the special rate of corporation tax of 20% | 42                |
| <b>Effects of:</b>   |                   |
| Franked UK dividends and distributions not subject to taxation                         | (5)               |
| Tax effect of set-up costs   | 1                 |
| Non taxable overseas dividends   | (2)               |
| <b>Current tax charge (note 6 (a))</b>   | <b>36</b>         |

Authorised OEICs are exempt from tax on capital gains made within the sub-funds.

Factors that may affect the future tax charge:

The sub-fund has no unutilised management expenses. These are not expected to be utilised in the foreseeable future unless the nature of the sub-fund's income or capital gains changes.

# SENTINEL UNIVERSAL PORTFOLIO

## 7. FINANCE COSTS

The distributions take into account income received on the issue of shares and income deducted on the cancellation of shares, and comprise:

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Interim distribution                           | -                 |
| Interim accumulation                           | 184               |
| Final distribution                             | -                 |
| Final accumulation                             | 85                |
|  | <u>269</u>        |
| Add: Income deducted on cancellation of shares | 21                |
| Deduct: Income received on issue of shares     | (117)             |
| <b>Net distribution for the period</b>         | <b>173</b>        |
| Interest                                       | 2                 |
| <b>Total finance costs</b>                     | <b>175</b>        |

The difference between the net income after taxation and the amounts distributed comprises:

|                                     |            |
|-------------------------------------|------------|
| Net income after taxation           | 173        |
| Security transaction charges        | 1          |
| Expenses offset against capital     | (1)        |
| <b>Finance costs: Distributions</b> | <b>173</b> |

## 8. DEBTORS

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Accrued income                         | 50                |
| Amounts receivable for issue of shares | 391               |
| Prepaid expenses                       | 1                 |
| Sales awaiting settlement              | 258               |
| Recoverable income tax                 | 37                |
|  | <u>737</u>        |

## 9. CASH AND BANK BALANCES

|                               | 31/07/09<br>£'000 |
|-------------------------------|-------------------|
| Sterling                      | 1,215             |
| <b>Cash and bank balances</b> | <b>1,215</b>      |

## 10. BANK OVERDRAFTS

|                               | 31/07/09<br>£'000 |
|-------------------------------|-------------------|
| US dollar                     | 248               |
| <b>Cash and bank balances</b> | <b>248</b>        |

## 11. CREDITORS

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Accrued expenses                           | 14                |
| Amounts payable for cancellation of shares | 83                |
| Corporation tax payable                    | 30                |
|  | <u>127</u>        |

## 12. SIGNIFICANT AGREEMENTS AND TRANSACTIONS WITH RELATED PARTIES

### Authorised Corporate Director ("ACD")

The ACD of the sub-fund is Premier Portfolio Managers Limited. The ACD is responsible for managing and administering the sub-fund's affairs in compliance with the FSA Regulations. In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of the sub-fund, calculated on a mid-market basis.

The annual management charge ("AMC") accrues daily and is payable monthly. The current AMC for the sub-fund is set out in note 15 on page 31. Amounts paid to Premier Portfolio Managers Limited in respect of the ACD's periodic charge are disclosed in note 5 on page 29. The balance outstanding at the period end was £nil.

### Investment Adviser

The ACD has appointed Premier Fund Managers Limited to provide investment management and advisory services to the ACD.

The Investment Adviser has appointed North Investment Partners Limited as sub-Investment Adviser to the sub-fund.

### Depository

The sub-fund's Depository is The Royal Bank of Scotland plc. The Depository is responsible for the safekeeping of all of the scheme property of the sub-fund and has a duty to take reasonable care to ensure that the sub-fund is managed in accordance with the provisions of the FSA Regulations relating to the pricing of and dealing in shares and relating to the income of the sub-fund. Subject to FSA Regulations, the Depository has full power under the Depository agreement to delegate (and authorise its delegates to sub-delegate) all or any part of its duties as Depository. It has delegated custody services to The Northern Trust Company. The Depository received for its own account a periodic fee which accrues daily and is payable monthly. The fee is payable out of the property attributable to the sub-fund. The rate of the periodic fee is as agreed between the ACD and the Depository from time to time and subject to a minimum fixed interest amount of £7,500 per annum and a current maximum of 0.07% of the value of the relevant sub-fund per annum which may be varied from time to time with the agreement of the ACD and the Depository.

The total remuneration payable to the Depository out of the property attributable to each sub-fund for its services also includes transaction charges and custody charges.

Amounts paid to The Royal Bank of Scotland plc in respect of the Depository's services are disclosed in note 5 on page 29. There was nothing due to the Depository at the period end.

## 13. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or commitments at the balance sheet date.

## 14. DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS

In pursuing the sub-fund's investment objective, as set out in the investment objective and policy on page 24, the main risks arising from the sub-fund's financial instruments are market price, currency, interest rate, liquidity and counterparty risk.

# SENTINEL UNIVERSAL PORTFOLIO

## Market Price Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the sub-fund might suffer through holding market positions in the face of price movements. The Investment Adviser considers the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the sub-fund's investment objective.

The Investment Adviser and sub-Investment Adviser do not use derivative instruments to hedge the investment portfolio against market price risk.

## Currency Risk

The currency profile of the sub-fund's financial instruments at the balance sheet date (including short term debtors and creditors) was:

### Currency exposure as at 31st July 2009

| Currency     | Portfolio of Investments<br>£'000 | Net other Assets/<br>(Liabilities)<br>£'000 | Total<br>£'000 | Total Exposure<br>% |
|--------------|-----------------------------------|---|----------------|---------------------|
| US dollar    | 890                               | 5   | 895            | 2.28                |
|              | <b>890</b>                        | <b>5</b>                                    | <b>895</b>     | <b>2.28</b>         |
| Sterling     | 36,841                            | 1,572                                       | 38,413         | 97.72               |
| <b>Total</b> | <b>37,731</b>                     | <b>1,577</b>                                | <b>39,308</b>  | <b>100.00</b>       |

There was significant indirect foreign currency exposure within the sub-fund's holdings of collective investment schemes since their assets are denominated in currencies other than sterling, with the effect that their balance sheet and total returns can be affected by exchange rate fluctuations.

## Interest Rate Risk

The sub-fund does not have any material direct interest rate risk as the majority of financial assets are in collective investment schemes, investment trust and structured plans which do not pay interest. However, some of the underlying collective investment scheme investments may be directly or indirectly exposed to interest rate risk.

The only interest-bearing financial asset of the sub-fund is bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent.

## Liquidity Risk

The sub-fund's assets comprise mainly readily realisable securities, which can be readily sold. The main liability of the sub-fund is the redemption of any shares that investors wish to sell. All the financial liabilities of the sub-fund fall within one year.

## Counterparty Risk

The sub-fund will be exposed to counterparty risk on parties with whom it trades and will bear the risk of settlement default. The sub-fund minimises concentrations of credit risk by undertaking transactions with a large number of counterparties on recognised and reputable exchanges. The sub-fund only buys and sells investments through brokers which have been approved by the Investment Adviser and sub-Investment Adviser as an acceptable counterparty and from recognised product providers.

The sub-fund is exposed to counterparty risk with the issuers of structured plans.

The sub-fund is exposed to a credit risk whereby the issuer of securities may default on its obligations.

## Fair Value of Financial Assets and Financial Liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the sub-fund disclosed in the Balance Sheet on page 27.

## Derivatives and Forward Transactions

The sub-fund does not hold any derivatives or forward transactions that could materially impact the value of the sub-fund.

The Investment Adviser and sub-Investment Adviser do not use derivative instruments to hedge the investment portfolio against risks.

## 15. SHARE CLASSES

The sub-fund currently has two types of share, Income and Accumulation. The AMC on each share class is as follows:

Income: 1.50%

Accumulation: 1.50%

The net asset value, the net asset value per share and the number of shares in issue are given in the comparative tables on page 24. The distribution per share class is given in the distribution tables on pages 31 and 32.

## 16. PORTFOLIO TRANSACTION COSTS

Analysis of total purchase costs:

|  | 31/07/09<br>£'000 |
|--|-------------------|
| Purchases in period before transaction costs | 59,450            |
| Commissions                                  | 18                |
| Taxes  | 3                 |
| <b>Total purchase costs</b>                  | <b>21</b>         |
| <b>Gross purchases total</b>                 | <b>59,471</b>     |

Analysis of total sale costs:

|   |               |
|---|---------------|
| Gross sales before transaction costs        | 22,281        |
| Commissions                                 | (6)           |
| <b>Total sale costs</b>                     | <b>(6)</b>    |
| <b>Total sales net of transaction costs</b> | <b>22,275</b> |

## DISTRIBUTION TABLES

For the period from 13th May 2008 to 31st January 2009

Interim dividend distribution in pence per share

### Income Shares

|         | Net<br>Income | Equalisation | Distribution<br>Paid<br>31/03/09 |
|---------|---------------|--------------|----------------------------------|
| Group 1 | 0.5103        | -            | 0.5103                           |
| Group 2 | 0.3615        | 0.1488       | 0.5103                           |

### Accumulation Shares

|         | Net<br>Income | Equalisation | Accumulation<br>Paid<br>31/03/09 |
|---------|---------------|--------------|----------------------------------|
| Group 1 | 0.5800        | -            | 0.5800                           |
| Group 2 | 0.3059        | 0.2741       | 0.5800                           |

## SENTINEL UNIVERSAL PORTFOLIO

For the period from 1st February 2009 to 31st July 2009

Final dividend distribution in pence per share

### Income Shares

|         | Net<br>Income | Equalisation | Distribution<br>Payable<br>30/11/09 |
|---------|---------------|--------------|-------------------------------------|
| Group 1 | -             | -            | -                                   |
| Group 2 | -             | -            | -                                   |

### Accumulation Shares

|         | Net<br>Income | Equalisation | Accumulation<br>Payable<br>30/11/09 |
|---------|---------------|--------------|-------------------------------------|
| Group 1 | 0.2088        | -            | 0.2088                              |
| Group 2 | -             | 0.2088       | 0.2088                              |

## Administration Queries

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