

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 1st August 2009 to 31st July 2010

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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 Fund Services Limited  
PO Box 55736,  
50 Bank Street,  
Canary Wharf,  
London, E14 1BT

### 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 year 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 year and of the net revenue and the net capital 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 'Financial Statements of Authorised Funds', issued by the IMA in November 2008 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 Company 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 year from 1st August 2009 to 31st July 2010.

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 2010

Mark Friend

Managing Director, Operations (of the ACD)

### REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS FOR THE YEAR FROM 1ST AUGUST 2009 TO 31ST JULY 2010 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 2010

# 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 year ended 31st July 2010. The financial statements consist of the aggregated financial statements of the Company which comprise the statement of total return, the statement of change in net assets attributable to shareholders, the 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 net assets attributable to shareholders, the balance sheet, 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 Financial Services Authority (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 auditor's 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 FSA's 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 (which comprises Directors and Company information on page 2, Report of the ACD to the Shareholders of the Company on page 3 and for each sub-fund, the investment objective and policy, investment review and portfolio of investments) 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 the comparative tables, total expense ratios and portfolio turnover rates. 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 2010 and of the net revenue/(expense) and capital gains/(losses) on 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 November 2008, the FSA's Collective Investment Schemes sourcebook and the Instrument of Incorporation; and
- 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, England  
30th November 2010

# THE SENTINEL FUND AGGREGATED FINANCIAL STATEMENTS

## STATEMENT OF TOTAL RETURN

For the year ended 31st July 2010

	Notes	31/07/10		31/07/09 <sup>1</sup>	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital gains	2		12,316		1,256
Revenue	3	1,017		872	
<b>Expenses</b>					
Finance costs: Interest	6	(6)		(5)	
Net expense before taxation		(981)		(286)	
Taxation	5	(24)		(52)	
Net expense after taxation			(1,005)		(338)
Total return before distributions			11,311		918
Finance costs: Distributions	6		(62)		(172)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>11,249</b>		<b>746</b>

<sup>1</sup>Restated (see notes to the financial statements on page 6).

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31st July 2010

	Note	31/07/10		31/07/09	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			87,809		-
Amounts receivable on issue of shares		69,190		98,843	
Amounts payable on cancellation of shares		(33,324)		(12,009)	
			35,866		86,834
Dilution levy			36		1
Stamp duty reserve tax			(113)		(42)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>11,249</b>		<b>746</b>
Retained distributions on accumulation shares	6		71		269
Compensation monies			-		1
<b>Closing net assets attributable to shareholders</b>			<b>134,918</b>		<b>87,809</b>

## BALANCE SHEET

As at 31st July 2010

	Notes	31/07/10	31/07/09
		£'000	£'000
<b>ASSETS</b>			
<b>Investment assets</b>		<b>124,465</b>	<b>85,074</b>
Debtors	7	1,650	1,263
Cash and bank balances	8	11,353	7,381
<b>Total other assets</b>		<b>13,003</b>	<b>8,644</b>
<b>Total assets</b>		<b>137,468</b>	<b>93,718</b>
<b>LIABILITIES</b>			
Investment liabilities		(46)	-
Creditors	10	(1,388)	(4,236)
Bank overdrafts	9	(1,116)	(1,673)
<b>Total other liabilities</b>		<b>(2,504)</b>	<b>(5,909)</b>
<b>Total liabilities</b>		<b>(2,550)</b>	<b>(5,909)</b>
<b>Net assets attributable to shareholders</b>		<b>134,918</b>	<b>87,809</b>

The notes on pages 6 to 8 are an integral part of these financial statements.

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson

Mark Friend

Finance Director (of the ACD)

Managing Director, Operations (of the ACD)

30th November 2010

# THE SENTINEL FUND AGGREGATED FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

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 'Financial Statements of Authorised Funds', issued by the IMA in November 2008, the FSA's Collective Investment Schemes sourcebook and the Instrument of Incorporation.

During the year, the Company has adopted the IMA SORP 2008. This has resulted in presentational changes to the Statement of Total Return whereby currency gains or losses, certain management fee rebates and transaction charges are now classified as capital. The effect of this is to increase 'Net capital gains' by £6,000 (2009: a decrease of £10,000).

The prior year comparatives are from the period from 13th May 2008 to 31st July 2009.

#### Revenue Recognition

Revenue 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.

Overseas revenue received after the deduction of withholding tax is shown gross of taxation, with the taxation consequences shown within the taxation charge.

Accumulation of revenue relating to accumulation units or shares held in collective investment schemes is recognised as revenue 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 allocated between revenue and capital according to the nature of the structured plan. This is depending on the extent to which the return is capital or revenue 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 schemes are included within net capital gains/losses.

Bank interest, interest on debt securities, underwriting commission and other revenue are recognised on an accruals basis.

In the case of debt securities, the total revenue arising includes the amortisation of any premium or discount at the time of purchase spread over the life of the security, using the effective interest rate method.

#### Stock Dividends

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

#### Special Dividends

Special dividends are recognised as either revenue 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 revenue for the year on an accruals basis.

#### Distributions

Amounts distributable are calculated after excluding expenses borne by capital as agreed by the ACD and Depositary.

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

#### Valuations

All investments are valued at their fair value at noon on 30th July 2010, being the last business day of the financial year. 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 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.

Delisted and unquoted investments are shown at the ACD's valuation.

Derivative instruments such as futures and options are valued at the price required to close out the contract.

#### 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 capital gains/(losses)' on investments in the Statement of Total Return.

#### Taxation

Corporation tax has been provided for at a rate of 20%. Deferred tax is provided in respect of timing differences that have originated but not been reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that they are more likely than not 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-funds and included in the Statement of Change in Net Assets Attributable to Shareholders. 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.

#### Efficient Portfolio Management

Where appropriate, certain permitted transactions such as derivatives or forward foreign currency transactions are used for efficient portfolio management. Where such transactions are used to protect or enhance revenue, the revenue and expenses derived therefrom are included in 'Revenue' or 'Expenses' in the Statement of Total Return. Where such transactions are used to protect or enhance capital, the gains and losses derived therefrom are included in 'Net capital gains/(losses)' in the Statement of Total Return. Any positions on such transactions open at the year end are reflected in the sub-fund's Portfolio of Investments at their fair value.

#### 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.

#### Management Fee Rebates

Rebates on the underlying Funds' management fees are accounted for on an accruals basis and are subsequently attributed to the relevant Fund's revenue or capital consistent with the fee structure of the underlying Fund.

### 2. NET CAPITAL GAINS

	31/07/10 £'000	31/07/09 £'000
Non-derivative securities	12,436	1,266
Derivative contracts	(131)	-
Forward currency contracts	9	-
Currency losses	(10)	(6)
Capital management fee rebates	18	-
Tax on offshore funds	(4)	-
Transaction charges	(2)	(4)
<b>Net capital gains</b>	<b>12,316</b>	<b>1,256</b>

# THE SENTINEL FUND AGGREGATED FINANCIAL STATEMENTS

## 3. REVENUE

	31/07/10 £'000	31/07/09 £'000
Bank interest	10	57
Franked UK dividends	9	11
Interest on debt securities	11	-
Overseas dividends	51	60
Franked distributions	231	40
Unfranked distributions	639	704
Management fee rebates	66	-
	<b>1,017</b>	<b>872</b>

## 4. EXPENSES

	31/07/10 £'000	31/07/09 £'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
ACD's periodic charge	1,696	908
	<b>1,696</b>	<b>908</b>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	79	52
Safe custody fees	4	1
	<b>83</b>	<b>53</b>
<b>Other expenses:</b>		
Auditor's remuneration	14	21
Registration fees	165	120
EMX fees	7	6
FSA and other regulatory fees	-	3
Printing fees	-	3
Price publication fees	12	12
PRS fees	15	18
Set-up costs	-	9
	<b>213</b>	<b>192</b>
<b>Total expenses</b>	<b>1,992</b>	<b>1,153</b>

Irrecoverable VAT is included in the above expenses where relevant.

## 5. TAXATION

(a) The tax charge comprises:

	31/07/10 £'000	31/07/09 £'000
<b>Current tax:</b>		
Corporation tax	-	36
Irrecoverable income tax	24	16
<b>Total current tax (note 5 (b))</b>	<b>24</b>	<b>52</b>
<b>Total taxation</b>	<b>24</b>	<b>52</b>

(b) Factors affecting the tax charge for the year:

The tax charged for the year differs from the special 20% rate of corporation tax applicable to Open-Ended Investment Companies (OEICs). The differences are explained below:

	31/07/10 £'000	31/07/09 £'000
Net expense before taxation	(981)	(286)
	<b>(981)</b>	<b>(286)</b>
Return on ordinary activities multiplied by the special rate of corporation tax of 20% (2009: 20%)	(196)	(58)
<b>Effects of:</b>		
Franked UK dividends and distributions not subject to taxation	(48)	(10)
Irrecoverable income tax	24	16
Expenses not utilised in period	286	103
Non-taxable overseas dividends	(46)	(2)
Tax effect of capital management fee rebates	4	-
Tax effect of set-up cost	-	3
<b>Current tax charge (note 5 (a))</b>	<b>24</b>	<b>52</b>

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

Factors that may affect the future charge:

The Company has not recognised a deferred tax asset of £388,879 (2009: £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' revenue or capital gains changes.

## 6. FINANCE COSTS

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

	31/07/10 £'000	31/07/09 £'000
Interim distribution	1	-
Interim accumulation	71	184
Final distribution	-	-
Final accumulation	-	85
	<b>72</b>	<b>269</b>
Add: Revenue deducted on cancellation of shares	22	23
Deduct: Revenue received on issue of shares	(32)	(120)
<b>Net distributions for the year</b>	<b>62</b>	<b>172</b>
Interest	6	5
<b>Total finance costs</b>	<b>68</b>	<b>177</b>
The difference between the net revenue after taxation and the amounts distributed comprises:		
Net expense after taxation	(1,005)	(338)
Expenses offset against capital	-	(1)
Deficit transferred to capital	1,067	511
<b>Finance costs: Distributions</b>	<b>62</b>	<b>172</b>

# THE SENTINEL FUND AGGREGATED FINANCIAL STATEMENTS

## 7. DEBTORS

	31/07/10 £'000	31/07/09 £'000
Accrued revenue	133	96
Amounts receivable for issue of shares	938	866
Prepaid expenses	2	3
Recoverable income tax	65	40
Management fee rebates	67	-
Sales awaiting settlement	445	258
	<u>1,650</u>	<u>1,263</u>

## 8. CASH AND BANK BALANCES

	31/07/10 £'000	31/07/09 £'000
Sterling	11,272	7,381
US dollar	4	-
Cash held at clearing house	77	-
<b>Cash and bank balances</b>	<u>11,353</u>	<u>7,381</u>

## 9. BANK OVERDRAFTS

	31/07/10 £'000	31/07/09 £'000
Sterling	1,116	535
US dollar	-	1,138
	<u>1,116</u>	<u>1,673</u>

## 10. CREDITORS

	31/07/10 £'000	31/07/09 £'000
Accrued expenses	219	41
Amounts payable for cancellation of shares	615	160
Corporation tax payable	-	30
Purchases awaiting settlement	550	4,005
Tax provision on unrealised offshore gains	4	-
	<u>1,388</u>	<u>4,236</u>

## 11. RELATED PARTIES

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

## 12. CONTINGENT LIABILITIES AND COMMITMENTS

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

## 13. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

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

## 14. SHARE CLASSES

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

## 15. PORTFOLIO TRANSACTION COSTS

	31/07/10 £'000	31/07/09 £'000
Analysis of total purchase costs:		
Purchases in year before transaction costs	66,664	121,774
Commissions	18	53
Taxes	7	6
<b>Total purchase costs</b>	<u>25</u>	<u>59</u>
<b>Gross purchases total</b>	<u>66,689</u>	<u>121,833</u>
Analysis of total sale costs:		
Gross sales before transaction costs	43,604	38,008
Commissions	(13)	(15)
<b>Total sale costs</b>	<u>(13)</u>	<u>(15)</u>
<b>Total sales net of transaction costs</b>	<u>43,591</u>	<u>37,993</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	99.94	81.18
2010 <sup>2</sup>	103.11	99.51

#### Accumulation Shares

2008 <sup>1</sup>	100.40	80.15
2009	99.95	81.18
2010 <sup>2</sup>	103.11	99.51

### Income/Accumulation Record

Calendar Year	Net Income per Share (p)
---------------	--------------------------

#### Income Shares

2009	-
2010 <sup>2</sup>	-

#### Accumulation Shares

2009	-
2010 <sup>2</sup>	-

### Net Asset Value (NAV)

As at	Shares in Issue	NAV per Share (p) <sup>3</sup>
-------	-----------------	--------------------------------

#### Income Shares

31/07/2009	86,865	92.42
31/07/2010	434,769	101.06

#### Accumulation Shares

31/07/2009	25,309,387	92.42
31/07/2010	36,377,869	101.07

NAV of Sub-Fund (£)
---------------------

#### Total NAV

31/07/2009	23,471,543
31/07/2010	37,205,282

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

<sup>2</sup> To 31st July 2010.

<sup>3</sup> The net asset value per share is calculated on a bid basis and excludes any distribution payable.

## TOTAL EXPENSE RATIO (TER)

31/07/10	31/07/09
1.80%	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 of different schemes. The TER for income and accumulation shares is the same.

## PORTFOLIO TURNOVER RATE (PTR)

31/07/10	31/07/09
40.00%	58.40%

The PTR is a ratio that reflects the volume of trading within the sub-fund over the course of a 12 month period. The PTR is calculated by taking the sum of all transactions in securities less the sum of all transactions in the sub-fund's shares and is expressed as a percentage of the sub-fund's average net asset value.

## 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 of the sub-fund 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 sub-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 sub-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 sub-fund).

Derivatives may be used by the sub-fund for both investment purposes and for the purposes of efficient portfolio management (including hedging) and the net asset value of the sub-fund may, therefore, at times be highly volatile. However, it is the Investment Adviser's intention that the sub-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 sub-fund should assist with keeping the volatility levels of the sub-fund relatively low.

## INVESTMENT REVIEW

### PERFORMANCE

Over the year, the Sentinel Defensive Fund returned 9.14% as compared to three month sterling LIBOR that returned 0.66%. The Fund's volatility over the year was a third of the equity markets and in line with Gilts, depicting the new management style.

### MARKET REVIEW

The past year has seen the world's largest economies emerge from recession, although talk of a double dip recession persists. Credit and equity markets continued to rally through until the New Year when concerns arose over European sovereign debt. The first half of 2010 has borne witness to increased levels of volatility and uncertainty over the future economic outlook, particularly as countries begin to address their inflated budget deficits.

Throughout the past year, central banks have continued to maintain 'ultra loose' monetary policies in order to encourage economic growth. The UK base rate, as determined by the Monetary Policy Committee (MPC), has been maintained at 0.50%. The MPC also voted to increase the size of the Asset Purchase Programme, a monetary stimulus, to a total of £200bn in November, which has subsequently been maintained. In more recent meetings, the MPC acknowledged that near term inflation remains more elevated than anticipated. However, projections imply that the spare capacity in the economy will weigh down on inflation in the medium term. Short term interest rates have steepened recently, with markets pricing in a rate hike next year.

## SENTINEL DEFENSIVE PORTFOLIO

### PORTFOLIO ACTIVITY

Equity market strength has seen an improvement in cover figures across the zero sub sector. Our selection of the more defensive zero dividend preference shares has helped to maintain the Fund's low risk profile amidst recent equity market turbulence. The zero market continues to attract new issues as firms seek to find alternatives to bank financing. The Fund has participated in these new issues where appropriate and demand has since driven these holdings to a premium. The zero sector faced a brief respite whilst capital gains tax was clarified in the coalition government's emergency budget. Since the budget, the significant yield premium zeros offer over government bonds have pushed prices higher. We increased our asset allocation to this sub sector over the year in order to reduce the Fund's volatility.

The structured products sub sector benefited from both credit and equity market performance, providing significant returns. Several structured products were subject to early redemptions and others now have significantly improved covers over their barrier levels. Proceeds from redemptions have been reinvested into lower volatility products, typically with defensive barrier levels or short maturities. These new structured products should provide a more stable defensive return under most market conditions.

The alternatives sub sector contributed notably to returns. Net asset value performance was generally positive, although a few holdings disappointed. Share price performance was attractive as corporate actions, buybacks and tenders saw discounts tighten. The correlation of share price discounts to equity market performance still remains and for this reason our exposure to this sub sector has been reduced. Question marks still remain over the sector although with a less crowded environment and further corporate actions approaching, some attractive profiles remain.

### OUTLOOK

The portfolio is positioned for capital growth in most likely market scenarios. We anticipate that the key risks to this growth would be sharply declining equity markets or sharply rising interest rates. As such, we continue to monitor the equity market risk and the duration of the Fund.

Source: Premier Fund Managers Limited, August 2010. Performance data taken from Financial Express Analytics, quoted on a total return, bid to bid, UK sterling basis. Past performance is not a guide to future returns.

The top ten purchases and sales during the period were as follows:

<b>Purchases</b>	<b>Costs</b>	<b>Sales</b>	<b>Proceeds</b>
	<b>£'000</b>		<b>£'000</b>
Electra Private Equity ZDP	1,900	ELDeRs Investment	
Dexion Absolute (GBP)	1,629	- Series 16A	2,013
Rabobank FTSE Synthetic		Dexion Absolute (USD)	1,526
Zero 2012	1,200	Rabobank FTSE Synthetic	
FRM Credit Alpha	1,156	Zero 2012	1,200
Jupiter Second Split Trust ZDP	1,012	Merrill Lynch International	
Goldman Sachs FTSE 100		Call Warrants	1,098
Dividend Index Certificate	1,004	Dexion Absolute (GBP)	1,077
Goldman Sachs International		Goldman Sachs	
Reservoir Autocall Certificate	1,000	Autocallable 02/07/2014	1,037
HSBC FTSE 100 Autocallable		Electra Private Equity ZDP	970
Warrants 11/12/2014	1,000	Platinum Warrants	
Societe Generale FTSE		17/04/2015	759
Synthetic Zero 2013	899	FRM Diversified Alpha	720
Barclays FTSE Synthetic		JPMorgan Private Equity	
Zero 2015	878	2015 ZDP	563
<b>Total purchases during the year were</b>	<b>£24,381</b>	<b>Total sales during the year were</b>	<b>£15,631</b>

# SENTINEL DEFENSIVE PORTFOLIO

## PORTFOLIO OF INVESTMENTS

As at 31st July 2010

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %	Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>FIXED INTEREST 5.52% (0.00%)</b>				<b>STRUCTURED PLANS 32.38% (31.65%)</b>			
<b>Global 5.52% (0.00%)</b>							
500,000	Bank of America FRN 11/06/2012	478	1.29	900,000	Barclays FTSE Synthetic Zero 2015	833	2.24
300,000	EIB 2.65% Index Linked 16/04/2020	451	1.21	600,000	Barclays 6 Year FTSE 100/S&P 500 Autocall 10% 12/07/2015	611	1.64
800,000	GE Capital FRN 11/05/2011	795	2.14	1,050,000	Barclays FTSE Synthetic Zero 2013	1,356	3.64
400,000	Lloyds TSB FRN 29/04/2016	327	0.88	383,000	Barclays FTSE Synthetic Zero 2011	496	1.33
		<b>2,051</b>	<b>5.52</b>	290,000	Merrill Lynch Capital Accumulation ELDeRS 28A	346	0.93
<b>FUNDS OF HEDGE FUNDS 16.71% (36.86%)</b>				1,000,000	Goldman Sachs FTSE 100 Certificates 29/12/2014	1,281	3.45
<b>Global 10.01% (28.17%)</b>				1,000,000	Goldman Sachs International Reservoir Autocall Certificates 29/10/15	1,050	2.82
800,000	Alternative Investment Strategies Sterling Hedged	820	2.20	400,000	HSBC EPRA Europe 7% Capital Acc Call Warrants 12/07/2015	402	1.08
47,989	BH Macro (USD)	519	1.39	1,000,000	HSBC FTSE 100 Autocallable Warrants 11/12/2014	1,054	2.83
1,500,000	FRM Credit Alpha	1,027	2.76	1,200,000	Rabobank FTSE Synthetic Zero 2012	1,227	3.30
457,384	FRM Diversified Alpha	348	0.94	8,000	RBS UK Defensive Autocall 2 6.75%	792	2.13
164,611	MW Tops (USD)	1,012	2.72	600,000	RBS FTSE Synthetic Zero 2011	621	1.67
		<b>3,726</b>	<b>10.01</b>	697	Societe Generale FTSE Synthetic Zero 2013	903	2.43
<b>United Kingdom 6.70% (8.69%)</b>				900,000	Symphony FTSE Synthetic Zero 2013	1,076	2.89
500,000	Dexion Absolute (GBP)	696	1.87			<b>12,048</b>	<b>32.38</b>
658,274	Dexion Equity Alternative	675	1.81	<b>FORWARD FX CURRENCY CONTRACTS 0.08% (0.00%)</b>			
247,697	Goldman Sachs Dynamic Opportunities (GBP)	217	0.58	2,000,000	Buy GBP 1,314,631 Sell USD 2,000,000	30	0.08
93,000	MW Tops (GBP)	907	2.44			<b>30</b>	<b>0.08</b>
		<b>2,495</b>	<b>6.70</b>	<b>FUTURES (0.12%) (0.00%)</b>			
<b>INVESTMENT TRUSTS 33.22% (32.13%)</b>				(15)	Sep 2010 LIF Long Gilt	(46)	(0.12)
<b>Delisted Securities 0.00% (0.00%)</b>						<b>(46)</b>	<b>(0.12)</b>
17,408	Royal London UK Equity & Income ZDP <sup>2</sup>	-	-	<b>Total Value of Investments</b>			
25,900	Zero Preference Growth Trust <sup>2</sup>	-	-			<b>32,661</b>	<b>87.79</b>
		<b>-</b>	<b>-</b>	<b>Net Other Assets</b>			
<b>United Kingdom 33.22% (32.13%)</b>						<b>4,544</b>	<b>12.21</b>
406,000	Aberforth Geared Income 2017 ZDP	431	1.16	<b>Total Net Assets</b>			
530,000	Burford Capital <sup>1</sup>	557	1.50			<b>37,205</b>	<b>100.00</b>
652,000	Ecofin Water & Power Finance ZDP	748	2.01				
405,950	Edinburgh New Income Trust ZDP	546	1.47				
975,000	Electra Private Equity ZDP	1,085	2.92				
1,320,000	Epic Securities ZDP	1,690	4.54				
600,000	F&C Private Equity ZDP	648	1.74				
189,294	JPMorgan Private Equity 2015 ZDP	119	0.32				
2,905,038	JPMorgan Private Equity Limited 2013 ZDP	1,823	4.90				
2,180,576	Jupiter Second Split Trust ZDP	681	1.83				
300,000	Juridica Investments <sup>1</sup>	336	0.90				
140,000	JZ Capital Partner ZDP	365	0.98				
275,000	REO Securities ZDP	11	0.03				
1,110,000	The Cayenne Trust	1,243	3.34				
1,145,000	Utilico Finance 2012 ZDP	1,815	4.88				
200,000	Utilico Finance 2014 ZDP	259	0.70				
		<b>12,357</b>	<b>33.22</b>				

Figures in brackets represent sector distribution at 31 July 2009.

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

<sup>2</sup>Securities in liquidation/delisted.

# SENTINEL DEFENSIVE PORTFOLIO

## STATEMENT OF TOTAL RETURN

For the year ended 31st July 2010

	Notes	31/07/10 £'000	31/07/09 <sup>1</sup> £'000
Income			
Net capital gains	2	2,714	161
Revenue	3	38	32
Expenses	4	(543)	(338)
Finance costs: Interest	6	(1)	(2)
Net expense before taxation		(506)	(308)
Taxation	5	-	-
Net expense after taxation		(506)	(308)
Total return before distributions		2,208	(147)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>2,208</b>	<b>(147)</b>

<sup>1</sup>Restated (see notes to the financial statements on page 13).

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31st July 2010

	Note	31/07/10 £'000	31/07/09 £'000
<b>Opening net assets attributable to shareholders</b>		<b>23,472</b>	<b>-</b>
Amounts receivable on issue of shares		19,747	26,588
Amounts payable on cancellation of shares		(8,223)	(2,962)
		11,524	23,626
Dilution levy		25	-
Stamp duty reserve tax		(24)	(8)
Change in net assets attributable to shareholders from investment activities		2,208	(147)
Compensation monies		-	1
<b>Closing net assets attributable to shareholders</b>		<b>37,205</b>	<b>23,472</b>

## BALANCE SHEET

As at 31st July 2010

	Notes	31/07/10 £'000	31/07/09 £'000
<b>ASSETS</b>			
Investment assets		32,707	23,622
Debtors	7	469	240
Cash and bank balances	8	4,870	2,411
<b>Total other assets</b>		<b>5,339</b>	<b>2,651</b>
<b>Total assets</b>		<b>38,046</b>	<b>26,273</b>
<b>LIABILITIES</b>			
Investment liabilities		(46)	-
Creditors	10	(344)	(2,505)
Bank overdrafts	9	(451)	(296)
<b>Total other liabilities</b>		<b>(795)</b>	<b>(2,801)</b>
<b>Total liabilities</b>		<b>(841)</b>	<b>(2,801)</b>
<b>Net assets attributable to shareholders</b>		<b>37,205</b>	<b>23,472</b>

The notes on pages 13 to 15 are an integral part of these financial statements.

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson

Mark Friend

Finance Director (of the ACD)

Managing Director, Operations (of the ACD)

30th November 2010

# SENTINEL DEFENSIVE PORTFOLIO

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The accounting policies are set out in the aggregated notes to the financial statements on pages 6 to 8.

During the year, the sub-fund has adopted the IMA SORP 2008. This has resulted in presentational changes to the Statement of Total Return whereby currency gains or losses and transaction charges are now classified as capital. The effect of this is to reduce 'Net capital gains' by £1,000 (2009: a reduction of £20,000).

The prior year comparatives are from the period from 13th May 2008 to 31st July 2009.

### 2. NET CAPITAL GAINS

	31/07/10 £'000	31/07/09 £'000
Non-derivative securities	2,837	181
Derivative contracts	(131)	-
Forward currency contracts	9	-
Currency losses	(1)	(19)
Capital management fee rebates	1	-
Transaction charges	(1)	(1)
<b>Net capital gains</b>	<b>2,714</b>	<b>161</b>

### 3. REVENUE

	31/07/10 £'000	31/07/09 £'000
Bank interest	4	28
Franked UK dividends	23	4
Interest on debt securities	11	-
	<b>38</b>	<b>32</b>

### 4. EXPENSES

	31/07/10 £'000	31/07/09 £'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
ACD's periodic charge	449	259
	<b>449</b>	<b>259</b>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	22	15
Safe custody fees	2	-
	<b>24</b>	<b>15</b>

### Other expenses:

Auditor's remuneration	6	6
Registration fees	54	41
EMX fees	2	2
FSA and other regulatory fees	-	1
Printing fees	-	1
Price publication fees	3	4
PRS fees	5	6
Set-up costs	-	3
	<b>70</b>	<b>64</b>

<b>Total expenses</b>	<b>543</b>	<b>338</b>
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Irrecoverable VAT is included in the above expenses where relevant.

### 5. TAXATION

(a) The tax charge comprises:

	31/07/10 £'000	31/07/09 £'000
<b>Current tax:</b>		
<b>Total current tax (note 5 (b))</b>	<b>-</b>	<b>-</b>
<b>Total taxation</b>	<b>-</b>	<b>-</b>

(b) Factors affecting the tax charge for the year:

The tax charged for the year differs from the special 20% rate of corporation tax applicable to Open-Ended Investment Companies (OEICs). The differences are explained below:

	31/07/10 £'000	31/07/09 £'000
Net expense before taxation	(506)	(308)
	<b>(506)</b>	<b>(308)</b>
Return on ordinary activities multiplied by the special rate of corporation tax of 20% (2009: 20%)	(101)	(62)
<b>Effects of:</b>		
Franked UK dividends and distributions not subject to taxation	(5)	(1)
Expenses not utilised in period	106	62
Tax effect of set-up cost	-	1
<b>Current tax charge (note 5 (a))</b>	<b>-</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 £167,418 (2009: £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 revenue or capital gains changes.

# SENTINEL DEFENSIVE PORTFOLIO

## 6. FINANCE COSTS

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

	31/07/10 £'000	31/07/09 £'000
Interim distribution	-	-
Interim accumulation	-	-
Final distribution	-	-
Final accumulation	-	-
	-	-
Add: Revenue deducted on cancellation of shares	-	-
Deduct: Revenue received on issue of shares	-	-
<b>Net distributions for the year</b>	-	-
Interest	1	2
<b>Total finance costs</b>	<b>1</b>	<b>2</b>

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

Net expense after taxation	(506)	(308)
Deficit transferred to capital	506	308
<b>Finance costs: Distributions</b>	<b>-</b>	<b>-</b>

## 7. DEBTORS

	31/07/10 £'000	31/07/09 £'000
Accrued revenue	5	-
Amounts receivable for issue of shares	464	239
Prepaid expenses	-	1
	<b>469</b>	<b>240</b>

## 8. CASH AND BANK BALANCES

	31/07/10 £'000	31/07/09 £'000
Sterling	4,793	2,411
Cash held at clearing house	77	-
<b>Cash and bank balances</b>	<b>4,870</b>	<b>2,411</b>

## 9. BANK OVERDRAFTS

	31/07/10 £'000	31/07/09 £'000
Sterling	451	296
	<b>451</b>	<b>296</b>

## 10. CREDITORS

	31/07/10 £'000	31/07/09 £'000
Accrued expenses	63	13
Amounts payable for cancellation of shares	217	33
Purchases awaiting settlement	64	2,459
	<b>344</b>	<b>2,505</b>

## 11. RELATED PARTIES

### Authorised Corporate Director ("ACD")

The ACD of the sub-fund is Premier Portfolio Managers Limited. Amounts paid to Premier Portfolio Managers Limited in respect of the ACD's periodic charge are disclosed in note 4. Amounts due at the year end are included within accrued expenses on the balance sheet where applicable.

## 12. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or outstanding commitments at the balance sheet date (2009: £nil).

## 13. FINANCIAL INSTRUMENTS

In pursuing the sub-fund's investment objective, 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 sub-fund holds positions in structured plans. The purpose of the plans are to provide a certain level of capital protection albeit with a limited potential return, dependent on the movement of underlying market indices. The use of structured plans is intended to reduce the volatility of the overall portfolio although in extreme market conditions this may not be the case. The portfolio statement on page 11, shows that 32.38% (2009: 31.65%) of the sub-fund's portfolio consists of investments in structured plans.

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

### 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 2010

Currency	Portfolio of Investments £'000	Forward Currency Contracts £'000	Net other Assets/ (Liabilities) £'000	Total £'000	Total Exposure %
US dollar	1,531	(1,284)	-	247	0.66
	<b>1,531</b>	<b>(1,284)</b>	<b>-</b>	<b>247</b>	<b>0.66</b>
Sterling	31,100	1,314	4,544	36,958	99.34
<b>Total</b>	<b>32,631</b>	<b>30</b>	<b>4,544</b>	<b>37,205</b>	<b>100.00</b>

# SENTINEL DEFENSIVE PORTFOLIO

## Currency exposure as at 31st July 2009

Currency	Portfolio of Investments £'000	Net other Assets/ (Liabilities) £'000	Total £'000	Total Exposure %
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 11. 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 due 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 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 ZDP's 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 where applicable.

### Derivatives and forward transactions

Derivatives used during the year comprise forward foreign currency contracts, futures and options contracts. Forward foreign currency contracts are used to manage currency risk arising from investing in overseas securities. Futures and options are used to hedge the market risk associated with other holdings or for investment purposes as permitted by the sub-fund's investment objective and policy. Open positions at the balance sheet date, are disclosed as either 'Investment Assets' or 'Investment Liabilities' in the balance Sheet. Unrealised gain/(losses) on forward foreign exchange transactions are taken to capital. The value of these investments may fluctuate significantly. Derivatives may be used by the sub-fund for both investment purposes and for the purposes of efficient portfolio management (including hedging). Amounts treated as revenue and capital respectively are shown in notes 2 and 3.

## 14. SHARE CLASSES

The sub-fund currently has two types of share. 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 9.

## 15. PORTFOLIO TRANSACTION COSTS

Analysis of total purchase costs:

	31/07/10 £'000	31/07/09 £'000
Purchases in year before transaction costs	24,362	31,776
Commissions	12	35
Taxes	7	3
<b>Total purchase costs</b>	<b>19</b>	<b>38</b>
<b>Gross purchases total</b>	<b>24,381</b>	<b>31,814</b>

Analysis of total sale costs:

Gross sales before transaction costs	15,638	8,357
Commissions	(7)	(4)
<b>Total sale costs</b>	<b>(7)</b>	<b>(4)</b>
<b>Total sales net of transaction costs</b>	<b>15,631</b>	<b>8,353</b>

## DISTRIBUTION TABLE

Expenses exceeded income during the year, as a result no distributions were paid.

# SENTINEL ENTERPRISE PORTFOLIO

## COMPARATIVE TABLES

### Performance Record

Calendar Year	High (p)	Low (p)
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#### Income Shares

2008 <sup>1</sup>	101.70	63.40
2009	98.31	67.12
2010 <sup>2</sup>	104.36	91.67

#### Accumulation Shares

2008 <sup>1</sup>	101.70	63.57
2009	98.31	67.12
2010 <sup>2</sup>	104.39	91.70

### Income/Accumulation Record

Calendar Year	Net Income per Share (p)
---------------	--------------------------

#### Income Shares

2009	-
2010 <sup>2</sup>	-

#### Accumulation Shares

2009	-
2010 <sup>2</sup>	-

### Net Asset Value (NAV)

As at	Shares in Issue	NAV per Share (p) <sup>3</sup>
-------	-----------------	--------------------------------

#### Income Shares

31/07/2009	126,744	82.86
31/07/2010	351,600	95.92

#### Accumulation Shares

31/07/2009	30,077,981	82.86
31/07/2010	38,631,861	95.96

Total NAV	NAV of Sub-Fund (£)
-----------	---------------------

31/07/2009	25,029,109
31/07/2010	37,406,787

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

<sup>2</sup> To 31st July 2010.

<sup>3</sup> The net asset value per share is calculated on a bid basis and excludes any distribution payable.

## TOTAL EXPENSE RATIO (TER)

	31/07/10	31/07/09
	2.79%	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 of different schemes. The TER for income and accumulation shares is the same.

## PORTFOLIO TURNOVER RATE (PTR)

	31/07/10	31/07/09
	-29.00%	37.80%

The PTR is a ratio that reflects the volume of trading within the sub-fund over the course of a 12 month period. The PTR is calculated by taking the sum of all transactions in securities less the sum of all transactions in the sub-fund's shares and is expressed as a percentage of the sub-fund's average net asset value.

## 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 sub-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 sub-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 sub-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 sub-fund).

Derivatives may be used by the sub-fund for both investment purposes and for the purposes of efficient portfolio management (including hedging) and the net asset value of the sub-fund may, therefore, at times be highly volatile. However, it is the Investment Adviser's intention that the sub-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.

## INVESTMENT REVIEW

### PERFORMANCE

Over the reporting period, the Sentinel Enterprise Fund has performed broadly in line with its selected benchmark, returning 15.8% compared with the IMA Active Managed sector return of 14.9%.

### MARKET REVIEW

Over the last year we have seen concerns that the European sovereign debt crisis would precipitate further losses in the global banking system and hence lead economies back into recession. Bond markets continued to indicate a degree of financial distress such that renewed fears arose of a double dip instigated by the withdrawal of quantitative easing, increasing unemployment numbers, and tightening US bank regulation.

Corporate earnings, however, have been strong, benefitting from earlier cost cutting. In the US for example, manufacturing and services have been growing steadily and ahead of expectations.

China has managed its economy well, tightening when required in order to slow growth to a sustainable level and hence avoid a problematic level of inflation.

### PORTFOLIO ACTIVITY

Over the reporting period, the major asset allocation decision made was to switch our developed markets exposure, reducing Europe to zero and investing the proceeds into the US. Our belief is that the euro remains overvalued against sterling and the straight jacket of the euro makes some nations within the Eurozone uncompetitive. Structural debt issues could undermine the European market for some time to come. The US is a more dynamic and flexible economy which traditionally leads Western economies out of recession. Economic and corporate earnings data emanating from the US supports our positive view. We also expect the dollar to remain strong.

## SENTINEL ENTERPRISE PORTFOLIO

We introduced several new funds over the last year as highlighted below:

**Martin Currie China Fund:** This fund will invest across all market capitalisations and the investment process focuses on change as a driver of share prices. The fund is growth orientated with a bottom up, research led discipline. Martin Currie is a leading investor in Asia, having over 15 years experience investing in China.

**River & Mercantile UK Equity Income Fund:** The importance of dividends to total returns over the long term supports the introduction of this asset class. The fund manager, Richard Stavely, aims to produce an above average and growing income, together with long term capital growth. Richard follows the team's investment process of potential, valuation and timing (PVT), with exposure allocated between quality, recovery, growth and asset backed opportunities. Whilst the fund has only been running for two years it already has a very strong risk return profile.

**Gartmore UK Absolute Return Fund:** This fund, managed by Ben Wallace, aims to achieve a positive absolute return over the long-term, regardless of market conditions. Ben has been managing a hedge fund since 2005 and this fund aims to follow a similar investment strategy to the hedge fund but within the limitations of a UCITS III regulated fund. The fund takes a core and tactical approach to portfolio construction, with the intention of generating value from both the long and short positions. There is a high level of turnover within the fund, with the resultant holdings reflecting both the fund manager's bottom up stock picking process and level of conviction.

**S&W Revera UK Dynamic Fund:** S&W Revera UK Dynamic fund is a focussed portfolio of 25 to 30 stocks which aims to produce enhanced returns over the FTSE All Share Index. The fund managers, Stephen Grant and Glen Nimmo, use a proprietary market framework based on fundamental parameters and this is used to create a dual approach to the management of the fund, focussing on both the generation of positive returns and the protection of capital in uncertain times.

**Old Mutual UK Dynamic Equity Fund:** This fund, managed by Luke Kerr, is a mid cap fund investing predominantly in the FTSE Mid 250. The fund can use short positions to enhance returns, but will always reflect a net long position.

### OUTLOOK

The trend rate of growth for developed markets will be lower than recent historic levels, due to shrinking bank balance sheets and an era of propriety and austerity. An increase in merger and acquisition activity has started to be seen and we anticipate that this will continue. Company balance sheets are rich with cash due to the reduction in debt undertaken over the last two years. Bond markets are eager to purchase new issuance from corporates and hence funding of takeover activity is achievable. The future may appear dull for developed economies as the Asian economies dominate future growth. However, corporate activity may still provide a welcome source of growth for Western businesses.

Source: Williams de Broë Limited, August 2010. Performance data taken from Financial Express Analytics, quoted on a total return, bid to bid, UK sterling basis. Past performance is not a guide to future returns.

The top ten purchases and total sales during the period were as follows:

Purchases	Costs £'000	Sales	Proceeds £'000
Gartmore US Growth 'P'	4,002	Fidelity China Focus	2,029
Martin Currie Unit Trust China 'B'	2,500	Argonaut European Alpha	1,925
River & Mercantile UK Equity 'B' Shares	2,000	Symphony Structured Products Jersey	1,728
Old Mutual Dublin UK Dynamic Equity	1,800	Neptune European Opportunities	1,933
Gartmore UK Absolute Return 'I' Shares	1,600	Ignis International Cartesian UK Equity 130/30	2
Smith & Williamson Revera UK Dynamic Retail	1,009		
Argonaut European Alpha River and Mercantile UK Equity Smaller Companies	517		
Allianz RCM China 'A' Shares (USD)	496		
Investec Africa & Middle East	368		
	351		
<b>Total purchases during the year were</b>	<b>£15,515</b>	<b>Total sales during the year were</b>	<b>£7,617</b>

# SENTINEL ENTERPRISE PORTFOLIO

## PORTFOLIO OF INVESTMENTS

As at 31st July 2010

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>COLLECTIVE INVESTMENT SCHEMES 92.26% (88.12%)</b>			
<b>Europe 5.65% (18.25%)</b>			
650,180	Neptune Russia and Greater Russia 'B'	2,114	5.65
		<b>2,114</b>	<b>5.65</b>
<b>Global 43.43% (49.12%)</b>			
1,620	Allianz RCM China 'A' Shares (USD)	1,154	3.09
2,822,856	Hexam Global Emerging Markets	3,478	9.29
1,229,820	Investec Africa & Middle East	1,424	3.81
1,891,150	Investec Global Gold 'I'	2,953	7.89
219,949	Martin Currie GF Global Resources (USD)	2,998	8.01
2,500,000	Martin Currie Unit Trust China 'B'	2,388	6.38
1,676,250	Neptune Latin America	1,854	4.96
		<b>16,249</b>	<b>43.43</b>
<b>North America 18.78% (11.73%)</b>			
1,079,040	Gartmore US Growth 'P'	3,601	9.62
3,331,685	Martin Currie North American Alpha 'B'	3,425	9.16
		<b>7,026</b>	<b>18.78</b>
<b>United Kingdom 24.40% (9.02%)</b>			
1,472,000	Gartmore UK Absolute Return 'I' Shares	1,615	4.32
1,468,309	Old Mutual Dublin UK Dynamic Equity	1,873	5.01
548,742	River and Mercantile UK Equity 'B' Shares	1,873	5.01
2,216,106	River and Mercantile UK Equity Smaller Companies	2,037	5.45
656,840	Schroder UK Alpha 'A'	738	1.97
1,080,840	Smith & Williamson Revera UK Dynamic Retail	986	2.64
		<b>9,122</b>	<b>24.40</b>
<b>STRUCTURED PLANS 0.00% (6.67%)</b>			
<b>United Kingdom 0.00% (6.67%)</b>			
	<b>Total Value of Investments</b>	<b>34,511</b>	<b>92.26</b>
	<b>Net Other Assets</b>	<b>2,896</b>	<b>7.74</b>
	<b>Total Net Assets</b>	<b>37,407</b>	<b>100.00</b>

Figures in brackets represent sector distribution at 31st July 2009.

# SENTINEL ENTERPRISE PORTFOLIO

## STATEMENT OF TOTAL RETURN

For the year ended 31st July 2010

	Notes	31/07/10 £'000	31/07/09 <sup>1</sup> £'000
Income			
Net capital gains	2	4,395	453
Revenue	3	128	130
Expenses	4	(582)	(317)
Finance costs: Interest	6	(2)	(1)
Net expense before taxation		(456)	(188)
Taxation	5	(2)	(16)
Net expense after taxation		(458)	(204)
Total return before distributions		3,937	249
Finance costs: Distributions	6	-	1
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>3,937</b>	<b>250</b>

<sup>1</sup>Restated (see notes to the financial statements on page 20).

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31st July 2010

	Note	31/07/10 £'000	31/07/09 £'000
<b>Opening net assets attributable to shareholders</b>		<b>25,029</b>	<b>-</b>
Amounts receivable on issue of shares		20,565	28,153
Amounts payable on cancellation of shares		(12,082)	(3,361)
		8,483	24,792
Dilution levy		1	-
Stamp duty reserve tax		(43)	(13)
Change in net assets attributable to shareholders from investment activities		3,937	250
<b>Closing net assets attributable to shareholders</b>		<b>37,407</b>	<b>25,029</b>

## BALANCE SHEET

As at 31st July 2010

	Notes	31/07/10 £'000	31/07/09 £'000
<b>ASSETS</b>			
Investment assets		34,511	23,721
Debtors	7	242	286
Cash and bank balances	8	3,488	3,755
<b>Total other assets</b>		<b>3,730</b>	<b>4,041</b>
<b>Total assets</b>		<b>38,241</b>	<b>27,762</b>
<b>LIABILITIES</b>			
Creditors	10	(358)	(1,604)
Bank overdrafts	9	(476)	(1,129)
<b>Total liabilities</b>		<b>(834)</b>	<b>(2,733)</b>
<b>Net assets attributable to shareholders</b>		<b>37,407</b>	<b>25,029</b>

The notes on pages 20 to 22 are an integral part of these financial statements.

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson  
Finance Director (of the ACD)

Mark Friend  
Managing Director, Operations (of the ACD)

30th November 2010

# SENTINEL ENTERPRISE PORTFOLIO

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The accounting policies are set out in the aggregated notes to the financial statements on pages 6 to 8.

During the year, the sub-fund has adopted the IMA SORP 2008. This has resulted in presentational changes to the Statement of Total Return whereby currency gains or losses and transaction charges are now classified as capital. The effect of this is to increase 'Net capital gains' by £5,000 (2009: an increase of £6,000).

The prior year comparatives are from the period from 13th May 2008 to 31st July 2009.

### 2. NET CAPITAL GAINS

	31/07/10 £'000	31/07/09 £'000
Non-derivative securities	4,390	447
Currency gains/(losses)	5	8
Transaction charges	-	(2)
<b>Net capital gains</b>	<b>4,395</b>	<b>453</b>

### 3. REVENUE

	31/07/10 £'000	31/07/09 £'000
Bank interest	3	-
Overseas dividends	-	14
Franked distributions	47	21
Unfranked distributions	29	95
Management fee rebates	49	-
	<b>128</b>	<b>130</b>

### 4. EXPENSES

	31/07/10 £'000	31/07/09 £'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
ACD's periodic charge	488	239
	<b>488</b>	<b>239</b>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	23	15
Safe custody fees	1	-
	<b>24</b>	<b>15</b>
<b>Other expenses:</b>		
Auditor's remuneration	5	7
Registration fees	54	39
EMX fees	2	2
FSA and other regulatory fees	-	1
Printing fees	-	1
Price publication fees	4	4
PRS fees	5	6
Set-up costs	-	3
	<b>70</b>	<b>63</b>
<b>Total expenses</b>	<b>582</b>	<b>317</b>

Irrecoverable VAT is included in the above expenses where relevant.

### 5. TAXATION

(a) The tax charge comprises:

	31/07/10 £'000	31/07/09 £'000
<b>Current tax:</b>		
Irrecoverable income tax	2	16
<b>Total current tax (note 5 (b))</b>	<b>2</b>	<b>16</b>
<b>Total taxation</b>	<b>2</b>	<b>16</b>

(b) Factors affecting the tax charge for the year:

The tax charged for the year 'differs from the special 20% rate of corporation tax applicable to Open-Ended Investment Companies (OEICs). The differences are explained below:

	31/07/10 £'000	31/07/09 £'000
Net expense before taxation	(456)	(188)
	<b>(456)</b>	<b>(188)</b>
Return on ordinary activities multiplied by the special rate of corporation tax of 20% (2009: 20%)	(91)	(38)
<b>Effects of:</b>		
Franked UK dividends and distributions not subject to taxation	(9)	(4)
Irrecoverable income tax	2	16
Expenses not utilised in period	102	41
Non-taxable overseas dividends	(2)	-
Tax effect of set-up cost	-	1
<b>Current tax charge (note 5 (a))</b>	<b>2</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 £143,662 (2009: £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 revenue or capital gains changes.

# SENTINEL ENTERPRISE PORTFOLIO

## 6. FINANCE COSTS

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

	31/07/10 £'000	31/07/09 £'000
Interim distribution	-	-
Interim accumulation	-	-
Final distribution	-	-
Final accumulation	-	-
	-	-
Add: Revenue deducted on cancellation of shares	-	2
Deduct: Revenue received on issue of shares	-	(3)
<b>Net distributions for the year</b>	-	<b>(1)</b>
Interest	2	1
<b>Total finance costs</b>	<b>2</b>	<b>-</b>
The difference between the net revenue after taxation and the amounts distributed comprises:		
Net expense after taxation	(458)	(204)
Income deficit transferred to capital	458	203
<b>Finance costs: Distributions</b>	<b>-</b>	<b>(1)</b>

## 7. DEBTORS

	31/07/10 £'000	31/07/09 £'000
Accrued revenue	26	46
Amounts receivable for issue of shares	164	236
Prepaid expenses	1	1
Management fee rebates	49	-
Sales awaiting settlement	2	3
	<b>242</b>	<b>286</b>

## 8. CASH AND BANK BALANCES

	31/07/10 £'000	31/07/09 £'000
Sterling	3,484	3,755
US dollar	4	-
<b>Cash and bank balances</b>	<b>3,488</b>	<b>3,755</b>

## 9. BANK OVERDRAFTS

	31/07/10 £'000	31/07/09 £'000
Sterling	476	239
US dollar	-	890
	<b>476</b>	<b>1,129</b>

## 10. CREDITORS

	31/07/10 £'000	31/07/09 £'000
Accrued expenses	63	14
Amounts payable for cancellation of shares	259	44
Purchases awaiting settlement	36	1,546
	<b>358</b>	<b>1,604</b>

## 11. RELATED PARTIES

### Authorised Corporate Director ("ACD")

The ACD of the sub-fund is Premier Portfolio Managers Limited. Amounts paid to Premier Portfolio Managers Limited in respect of the ACD's periodic charge are disclosed in note 4. Amounts due at the year end are included within accrued expenses on the balance sheet where applicable.

## 12. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or outstanding commitments at the balance sheet date (2009: £nil).

## 13. FINANCIAL INSTRUMENTS

In pursuing the sub-fund's investment objective, 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 and sub-investment adviser consider 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.

### 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 2010

Currency	Portfolio of Investments £'000	Net other Assets/ (Liabilities) £'000	Total £'000	Total Exposure %
US dollar	4,152	4	4,156	11.11
	<b>4,152</b>	<b>4</b>	<b>4,156</b>	<b>11.11</b>
Sterling	30,359	2,892	33,251	88.89
<b>Total</b>	<b>34,511</b>	<b>2,896</b>	<b>37,407</b>	<b>100.00</b>

# SENTINEL ENTERPRISE PORTFOLIO

## Currency exposure as at 31st July 2009

Currency	Portfolio of Investments £'000	Net other Assets/ (Liabilities) £'000	Total £'000	Total Exposure %
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 direct interest rate risk as the majority of financial assets are in collective investment schemes, 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 assets of the sub-fund are 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 due 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 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 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 where applicable.

### 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 has not used derivative instruments to hedge the investment portfolio against risk.

## 14. SHARE CLASSES

The sub-fund currently has two types of share. 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.

## 15. PORTFOLIO TRANSACTION COSTS

Analysis of total purchase costs:

	31/07/10 £'000	31/07/09 £'000
Purchases in year before transaction costs	15,515	30,548
Commissions	-	-
Taxes	-	-
<b>Total purchase costs</b>	<b>-</b>	<b>-</b>
<b>Gross purchases total</b>	<b>15,515</b>	<b>30,548</b>

Analysis of total sale costs:

	31/07/10 £'000	31/07/09 £'000
Gross sales before transaction costs	7,617	7,370
Commissions	-	(5)
<b>Total sale costs</b>	<b>-</b>	<b>(5)</b>
<b>Total sales net of transaction costs</b>	<b>7,617</b>	<b>7,365</b>

## DISTRIBUTION TABLE

Expenses exceeded income during the year, as a result no distributions were paid.

# SENTINEL UNIVERSAL PORTFOLIO

## COMPARATIVE TABLES

### Performance Record

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

#### Income Shares

2008 <sup>1</sup>	100.00	84.24
2009	107.14	75.91
2010 <sup>2</sup>	113.59	103.45

#### Accumulation Shares

2008 <sup>1</sup>	100.00	84.59
2009	107.76	75.94
2010 <sup>2</sup>	114.40	104.19

### Income/Accumulation Record

Calendar Year	Net Income per Share (p)
---------------	--------------------------

#### Income Shares

2009	0.5103
2010 <sup>2</sup>	0.1265

#### Accumulation Shares

2009	0.7888
2010 <sup>2</sup>	0.1501

### Net Asset Value (NAV)

As at	Shares in Issue	NAV per Share (p) <sup>3</sup>
-------	-----------------	--------------------------------

#### Income Shares

31/07/2009	193,142	96.12
31/07/2010	622,175	108.05

#### Accumulation Shares

31/07/2009	40,556,900	96.46
31/07/2010	54,803,188	108.81

	NAV of Sub-Fund (£)
--	---------------------

31/07/2009	39,308,481
31/07/2010	60,306,282

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

<sup>2</sup> To 31st July 2010.

<sup>3</sup> The net asset value per share is calculated on a bid basis and excludes any distribution payable.

## TOTAL EXPENSE RATIO (TER)

	31/07/10	31/07/09
	2.48%	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 of different schemes. The TER for income and accumulation shares is the same.

## PORTFOLIO TURNOVER RATE (PTR)

	31/07/10	31/07/09
	55.70%	110.90%

The PTR is a ratio that reflects the volume of trading within the sub-fund over the course of a 12 month period. The PTR is calculated by taking the sum of all transactions in securities less the sum of all transactions in the sub-fund's shares and is expressed as a percentage of the sub-fund's average net asset value.

## 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 sub-fund is to invest mainly in units of collective investment schemes. The sub-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 sub-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 sub-fund).

Derivatives may be used by the sub-fund for both investment purposes and for the purposes of efficient portfolio management (including hedging) and the net asset value of the sub-fund may, therefore, at times be highly volatile. However, it is the Investment Adviser's intention that the sub-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 sub-fund should assist with keeping the volatility levels of the sub-fund relatively low.

## INVESTMENT REVIEW

### PERFORMANCE

In the period under review, the Sentinel Universal Portfolio rose by 12.7%, compared with its composite benchmark\*, returning 14.1%.

### MARKET REVIEW

The pendulum of investor sentiment has continued to swing back and forth from optimism to pessimism this year, as leading economic indicators point to mixed outcomes. Compared to the West, Asia and Emerging Markets have stronger economic growth and continue to provide support to global growth. However, the threat of deflation in the West is causing investor anxiety in an environment where equities look cheap against low yielding government bonds and cash deposits.

This year started in a similar fashion to last, with global equities rising early on, driven by further evidence of a sustainable global economic recovery. However, it was not to be a smooth ride for equity markets. There was a sell off which ended mid February as anxiety increased over the Greek's sovereign debt, coupled with President Obama's proposals for tighter banking regulation and China draining liquidity to slow down an overheated property market. Many of these issues remained unresolved as equities then rallied at an unstoppable pace for the next ten weeks.

## SENTINEL UNIVERSAL PORTFOLIO

Then, mid April, the market was taken by surprise with the shock announcement that the Securities & Exchange Commission (SEC) was investigating Goldman Sachs over allegations of fraud in the sale of sub prime products. Meanwhile, Greece came under increasing pressure to agree to a package of severe austerity measures to reduce their growing deficit in exchange for assistance from other European Union members and the International Monetary Fund. The reluctance of such an agreement caused uncertainty and pressure on the euro which weakened against the US dollar. A strong US dollar was not good news for an economy which had based a strong and sustainable recovery upon exports.

June was a tough month. After a relief rally from the late May lows, investors began to worry about the possibility of a "double dip" recession, whilst bond markets feared that a Japanese style deflation was now in the offering. The decline in yields of both US and UK 10 year government bond debt was fairly dramatic; it caught many investors by surprise. The US authorities are determined to avoid deflation and more recently risk assets have risen on the prospects that policy makers will turn once again to further quantitative easing. The reflation trade was initially funded by enormous amounts of government debt, which should have suggested much higher inflation in the future. However, the reaction of government bond yields today would suggest otherwise.

### PORTFOLIO ACTIVITY

In our opinion, market volatility is set to continue for the short to medium term. Our current approach is therefore to maintain an even spread between risk assets and defensive assets - any changes have been marginal. In early April, we switched our exposure to Oil and Gold, via exchange-traded funds, into Investec Global Energy and BlackRock Gold & General. Both commodities had performed well respective to companies involved in energy and gold mining. In June, we began to sell Cazenove ARF UK Dynamic after the fund manager departure and switched the proceeds into listed fund of hedge funds, BlueCrest AllBlue. This multi strategy fund is managed internally and has created an impressive track record which we believe is sustainable. At the end of the period, we bought into JPMorgan Consumer Trends, a global fund managed by Peter Kirkman, which looks to profit from the changing appetite of the consumer in both the West and the Emerging Markets.

Turning to the bond markets, we have been surprised by the strength of UK Gilts, where yields have fallen further as the UK has been seen as a relative safe haven for international investors when compared with many of the countries within the Eurozone. However, we believe this is unlikely to continue and our focus within this asset class is on absolute return funds, such as the JPMorgan Income Opportunities fund, which invests globally and is able to protect against the downside should yields rise as developed nations seek to finance their huge budget deficits.

### OUTLOOK

Following the reflation of the global economy, financial markets are now at a tipping point. The expansion of global governments quantitative easing programmes have now ended, marked by the April peak in equity markets. Investors are trying to gauge whether the momentum is sufficient to carry vulnerable economies out of recession in a low growth environment, or whether they will slip back into a double dip recession. The global macro environment continues to be fraught with dangers but interest rates remain low, there is little sign of inflation, growth forecasts remain reasonable and many companies have strong balance sheets and continue to surprise on the upside.

Source: North Investment Partners, August 2010. Performance data taken from Financial Express Analytics, quoted on a total return, bid to bid, UK sterling basis. Past performance is not a guide to future returns.

\*The benchmark for the Sentinel Universal Portfolio is a composite benchmark consisting of 50% FTSE All Share, 35% FTSE World ex UK and 15% FTSE All Stocks.

The top ten purchases and sales during the period were as follows:

Purchases	Costs £'000	Sales	Proceeds £'000
AXA Framlington American Growth	3,366	M&G Optimal Income	3,028
iShares FTSE 250	2,730	iShares FTSE 100	2,437
Artemis Managers Income 'I'	2,688	Goldman Sachs Sterling	
Legal and General UT		Liquid Reserves	2,270
Growth Trust 'I'	2,462	Insight Liquidity	2,260
BlackRock Gold & General 'A'	2,261	BNP Paribas Insticash	2,229
Investec Global Energy 'A'	1,896	Invesco Corporate Bond	1,805
iShares MSCI Emerging Markets	1,800	Gold Bullion Securities	1,550
iShares FTSE 100	1,774	iShares S&P 500	1,348
First State Asia Pacific 'B'	1,718	Goldman Sachs International	1,055
JPMorgan Income Opportunities Hedged 'C'	1,584	ETFS Oil Securities	1,050
<b>Total purchases during the year were</b>	<b>£42,308</b>	<b>Total sales during the year were</b>	<b>£27,960</b>

# SENTINEL UNIVERSAL PORTFOLIO

## PORTFOLIO OF INVESTMENTS

As at 31st July 2010

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %	Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
	<b>EQUITIES 3.61% (0.00%)</b>				<b>EXCHANGE TRADED FUNDS 16.24% (15.64%)</b>		
	<b>United Kingdom 1.02% (0.00%)</b>				<b>Far East 1.16% (0.55%)</b>		
561,000	Better Capital Limited	617	1.02	27,400	iShares MSCI Far East Ex-Japan	700	1.16
		<b>617</b>	<b>1.02</b>			<b>700</b>	<b>1.16</b>
	<b>Global 2.59% (0.00%)</b>				<b>Global 3.32% (0.00%)</b>		
1,178,000	BlueCrest Allblue	1,196	1.98	80,500	iShares MSCI Emerging Markets	2,002	3.32
190,000	Schroder Asia Pacific	364	0.60			<b>2,002</b>	<b>3.32</b>
38,000	Schroder Asia Pacific (Sub Rights)	4	0.01		<b>North America 1.38% (4.82%)</b>		
		<b>1,564</b>	<b>2.59</b>	119,000	iShares S&P 500	835	1.38
						<b>835</b>	<b>1.38</b>
	<b>COLLECTIVE INVESTMENT SCHEMES 67.82% (69.57%)</b>				<b>United Kingdom 10.38% (10.27%)</b>		
	<b>Europe 4.42% (5.67%)</b>			28,050	ETFS Oil Securities	-	-
579,887	Neptune European Opportunities 'B'	1,780	2.95	683,481	iShares FTSE 100	3,628	6.02
2,218,182	Premier Pan European Property Share Fund	889	1.47	266,129	iShares FTSE 250	2,631	4.36
		<b>2,669</b>	<b>4.42</b>			<b>6,259</b>	<b>10.38</b>
	<b>Global 29.30% (25.09%)</b>				<b>INVESTMENT TRUSTS 3.10% (3.63%)</b>		
826,105	Allianz Global Investors RCM BRIC Stars 'C'	1,434	2.38		<b>Global 2.95% (3.46%)</b>		
11,014	Atlantis China Fortune	16	0.03	894,000	F&C Private Equity ZDP	966	1.60
776,643	AXA Framlington American Growth	1,556	2.58	209,000	Invesco Asia Trust	278	0.46
92,445	Chirin Absolute Asia Alpha	1,006	1.67	41,800	Invesco Asia Trust (Sub Rights)	9	0.01
1,324,839	First State Asia Pacific 'B'	4,181	6.93	227,791	Psource Structured Debt	91	0.15
322,765	First State China Pacific 'B'	1,198	1.99	89,000	Quorum Oil and Gas Technology	443	0.73
316,882	First State India	598	0.99			<b>1,787</b>	<b>2.95</b>
78,166	FRM Credit Alpha	54	0.09		<b>Property 0.15% (0.17%)</b>		
854,560	Investec Enhanced Natural Resources 'I'	989	1.64	150,000	Terra Catalyst <sup>1</sup>	90	0.15
842,669	Investec Global Energy 'A'	1,846	3.06			<b>90</b>	<b>0.15</b>
882,810	JPMorgan Global Consumer Trends 'C'	897	1.49		<b>STRUCTURED PLANS 4.16% (7.16%)</b>		
2,010,711	Martin Currie Japan Alpha 'B'	1,767	2.93	1,497,500	Goldman Sachs Emerging Markets 25/06/2012	1,590	2.64
1,156,060	Martin Currie Japan Alpha 'H'	1,228	2.04	67,500,000	Goldman Sachs GBP 10 Year Swap Rate Certificates 12/06/2012	68	0.11
750,856	M&G Optimal Income 'I'	893	1.48	1,018,300	Goldman Sachs GBP 10 Year Swap Rate Certificates 20/11/2014	851	1.41
		<b>17,663</b>	<b>29.30</b>			<b>2,509</b>	<b>4.16</b>
	<b>United Kingdom 34.10% (38.81%)</b>				<b>Total Value of Investments</b>	<b>57,247</b>	<b>94.93</b>
963,811	Absolute Insight UK Equity Market 'B'	1,054	1.75		<b>Net Other Assets</b>	<b>3,059</b>	<b>5.07</b>
1,720,674	Artemis Managers Income 'I'	2,744	4.55		<b>Total Net Assets</b>	<b>60,306</b>	<b>100.00</b>
1,986,964	Artemis Managers Strategic Assets Fund 'I'	1,181	1.96				
358,441	AXA Framlington UK Select Opportunities	3,688	6.12				
171,597	BlackRock Gold and General 'A'	2,251	3.73				
892,000	BlackRock Hedge UK Emerging Cos	914	1.52				
830,000	F&C UK Property	830	1.38				
1,065,763	Gartmore FM UK Absolute Return 'I'	1,169	1.94				
309	Goldman Sachs Sterling Liquid Reserves	-	-				
15,487	JPMorgan Income Opportunities Hedged 'C'	1,602	2.66				
1,250,943	Legal and General Dynamic Bond 'I'	798	1.32				
4,539,805	Legal and General UT Growth Trust 'I'	2,424	4.02				
4,311,118	Schroder Income Maximiser 'A'	1,897	3.15				
		<b>20,552</b>	<b>34.10</b>				

Figures in brackets represent sector distribution at 31st July 2009.

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

# SENTINEL UNIVERSAL PORTFOLIO

## STATEMENT OF TOTAL RETURN

For the year ended 31st July 2010

	Notes	31/07/10 £'000	31/07/09 <sup>1</sup> £'000
Income			
Net capital gains	2	5,207	642
Revenue	3	851	710
Expenses	4	(867)	(498)
Finance costs: Interest	6	(3)	(2)
Net (expense)/revenue before taxation		(19)	210
Taxation	5	(22)	(36)
Net (expense)/revenue after taxation		(41)	174
Total return before distributions		5,166	816
Finance costs: Distributions	6	(62)	(173)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>5,104</b>	<b>643</b>

<sup>1</sup>Restated (see notes to the financial statements on page 27).

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31st July 2010

	Note	31/07/10 £'000	31/07/09 £'000
<b>Opening net assets attributable to shareholders</b>		<b>39,308</b>	<b>-</b>
Amounts receivable on issue of shares		28,878	44,102
Amounts payable on cancellation of shares		(13,019)	(5,686)
		15,859	38,416
Dilution levy		10	1
Stamp duty reserve tax		(46)	(21)
Change in net assets attributable to shareholders from investment activities		5,104	643
Retained distributions on accumulation shares	6	71	269
<b>Closing net assets attributable to shareholders</b>		<b>60,306</b>	<b>39,308</b>

## BALANCE SHEET

As at 31st July 2010

	Notes	31/07/10 £'000	31/07/09 £'000
<b>ASSETS</b>			
Investment assets		57,247	37,731
Debtors	7	939	737
Cash and bank balances	8	2,995	1,215
<b>Total other assets</b>		<b>3,934</b>	<b>1,952</b>
<b>Total assets</b>		<b>61,181</b>	<b>39,683</b>
<b>LIABILITIES</b>			
Creditors	10	(686)	(127)
Bank overdrafts	9	(189)	(248)
<b>Total liabilities</b>		<b>(875)</b>	<b>(375)</b>
<b>Net assets attributable to shareholders</b>		<b>60,306</b>	<b>39,308</b>

The notes on pages 27 to 29 are an integral part of these financial statements.

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson

Finance Director (of the ACD)

30th November 2010

Mark Friend

Managing Director, Operations (of the ACD)

# SENTINEL UNIVERSAL PORTFOLIO

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The accounting policies are set out in the aggregated notes to the financial statements on pages 6 to 8.

During the year, the sub-fund has adopted the IMA SORP 2008. This has resulted in presentational changes to the Statement of Total Return whereby currency gains or losses, certain management fee rebates and transaction charges are now classified as capital. The effect of this is to increase 'Net capital gains/(losses)' by £2,000 (2009: an increase of £4,000).

The prior year comparatives are from the period from 13th May 2008 to 31st July 2009.

### 2. NET CAPITAL GAINS

	31/07/10 £'000	31/07/09 £'000
Non-derivative securities	5,209	638
Currency (losses)/gains	(14)	5
Capital management fee rebates	17	-
Tax on offshore funds	(4)	-
Transaction charges	(1)	(1)
<b>Net capital gains</b>	<b>5,207</b>	<b>642</b>

### 3. REVENUE

	31/07/10 £'000	31/07/09 £'000
Bank interest	3	57
Franked UK dividends	9	11
Overseas dividends	51	18
Franked distributions	161	15
Unfranked distributions	610	609
Management fee rebates	17	-
	<b>851</b>	<b>710</b>

### 4. EXPENSES

	31/07/10 £'000	31/07/09 £'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
ACD's periodic charge	759	410
	<b>759</b>	<b>410</b>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	34	22
Safe custody fees	1	1
	<b>35</b>	<b>23</b>

### Other expenses:

Auditor's remuneration	3	8
Registration fees	57	40
EMX fees	3	2
FSA and other regulatory fees	-	1
Printing fees	-	1
Price publication fees	5	4
PRS fees	5	6
Set up costs	-	3
	<b>73</b>	<b>65</b>
<b>Total expenses</b>	<b>867</b>	<b>498</b>

Irrecoverable VAT is included in the above expenses where relevant.

### 5. TAXATION

(a) The tax charge comprises:

	31/07/10 £'000	31/07/09 £'000
<b>Current tax:</b>		
Corporation tax	-	36
Irrecoverable income tax	22	-
<b>Total current tax (note 5 (b))</b>	<b>22</b>	<b>36</b>
<b>Total taxation</b>	<b>22</b>	<b>36</b>

(b) Factors affecting the tax charge for the year:

The tax charged for the year differs from the special 20% rate of corporation tax applicable to Open-Ended Investment Companies (OEICs). The differences are explained below:

	31/07/10 £'000	31/07/09 £'000
Net (expense)/revenue before taxation	(19)	210
	<b>(19)</b>	<b>210</b>

Return on ordinary activities multiplied by the special rate of corporation tax of 20% (2009: 20%)

### Effects of:

Franked UK dividends and distributions not subject to taxation	(34)	(5)
Irrecoverable income tax	22	-
Expenses not utilised in period	78	-
Non-taxable overseas dividends	(44)	(2)
Tax effect of capital management fee rebates	4	-
Tax effect of set-up cost	-	1
<b>Current tax charge (note 5 (a))</b>	<b>22</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 not recognised a deferred tax asset of £77,799 (2009: £nil) 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 revenue or capital gains changes.

# SENTINEL UNIVERSAL PORTFOLIO

## 6. FINANCE COSTS

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

	31/07/10 £'000	31/07/09 £'000
Interim distribution	1	-
Interim accumulation	71	184
Final distribution	-	-
Final accumulation	-	85
	<b>72</b>	<b>269</b>
Add: Revenue deducted on cancellation of shares	22	21
Deduct: Revenue received on issue of shares	(32)	(117)
<b>Net distributions for the year</b>	<b>62</b>	<b>173</b>
Interest	3	2
<b>Total finance costs</b>	<b>65</b>	<b>175</b>

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

Net (expense)/revenue after taxation	(41)	174
Expenses offset against capital	-	(1)
Deficit transferred to capital	103	-
<b>Finance costs: Distributions</b>	<b>62</b>	<b>173</b>

## 7. DEBTORS

	31/07/10 £'000	31/07/09 £'000
Accrued revenue	102	50
Amounts receivable for issue of shares	310	391
Prepaid expenses	1	1
Recoverable income tax	63	37
Management fee rebates	18	-
Sales awaiting settlement	445	258
	<b>939</b>	<b>737</b>

## 8. CASH AND BANK BALANCES

	31/07/10 £'000	31/07/09 £'000
Sterling	2,995	1,215
<b>Cash and bank balances</b>	<b>2,995</b>	<b>1,215</b>

## 9. BANK OVERDRAFTS

	31/07/10 £'000	31/07/09 £'000
Sterling	189	-
US dollar	-	248
	<b>189</b>	<b>248</b>

## 10. CREDITORS

	31/07/10 £'000	31/07/09 £'000
Accrued expenses	93	14
Amounts payable for cancellation of shares	139	83
Corporation tax payable	-	30
Purchases awaiting settlement	450	-
Tax provision on unrealised offshore gains	4	-
	<b>686</b>	<b>127</b>

## 11. RELATED PARTIES

### Authorised Corporate Director ("ACD")

The ACD of the sub-fund is Premier Portfolio Managers Limited. Amounts paid to Premier Portfolio Managers Limited in respect of the ACD's periodic charge are disclosed in note 4. Amounts due at the year end are included within accrued expenses on the balance sheet where applicable.

## 12. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or outstanding commitments at the balance sheet date (2009: £nil).

## 13. FINANCIAL INSTRUMENTS

In pursuing the sub-fund's investment objective, 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 and sub-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 sub-fund holds positions in structured plans. The purpose of the plans are to provide a certain level of capital protection albeit with a limited potential return, dependent on the movement of underlying market indices. The use of structured plans is intended to reduce the volatility of the overall portfolio although in extreme market conditions this may not be the case. The portfolio statement on page 25, shows that 4.16% (2009: 7.16%) of the sub-fund's portfolio consists of investments in structured plans.

The investment adviser and sub-investment adviser has not used derivative instruments to hedge the investment portfolio against risks.

### 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 2010

Currency	Portfolio of Investments £'000	Net other Assets/ (Liabilities) £'000	Total £'000	Total Exposure %
US dollar	458	-	458	0.76
	<b>458</b>	<b>-</b>	<b>458</b>	<b>0.76</b>
Sterling	56,789	3,059	59,848	99.24
<b>Total</b>	<b>57,247</b>	<b>3,059</b>	<b>60,306</b>	<b>100.00</b>

# SENTINEL UNIVERSAL PORTFOLIO

## Currency exposure as at 31st July 2009

Currency	Portfolio of Investments £'000	Net other Assets/ (Liabilities) £'000	Total £'000	Total Exposure %
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 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 and structured products may be directly or indirectly exposed to interest rate risk.

As at the balance sheet date 6.96% of the sub-funds portfolio was invested in assets which pay interest.

The only interest-bearing financial assets of the sub-fund are 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 due 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 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 ZDP's 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 where applicable.

### 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 has not used derivative instruments to hedge the investment portfolio against risk.

## 14. SHARE CLASSES

The sub-fund currently has two types of share. 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 23. The distribution per share class is given in the distribution tables opposite.

## 15. PORTFOLIO TRANSACTION COSTS

Analysis of total purchase costs:

	31/07/10 £'000	31/07/09 £'000
Purchases in year before transaction costs	42,302	59,450
Commissions	6	18
Taxes	-	3
<b>Total purchase costs</b>	<b>6</b>	<b>21</b>
<b>Gross purchases total</b>	<b>42,308</b>	<b>59,471</b>

Analysis of total sale costs:

	31/07/10 £'000	31/07/09 £'000
Gross sales before transaction costs	27,966	22,281
Commissions	(6)	(6)
<b>Total sale costs</b>	<b>(6)</b>	<b>(6)</b>
<b>Total sales net of transaction costs</b>	<b>27,960</b>	<b>22,275</b>

## DISTRIBUTION TABLES

For the period from 1st August 2009 to 31st January 2010

### Interim dividend distribution in pence per share

#### Income Shares

	Net Income	Equalisation	31/03/10	Distribution Paid 31/03/09
Group 1	0.1265	-	0.1265	0.5103
Group 2	0.0106	0.1159	0.1265	0.5103

#### Accumulation Shares

	Net Income	Equalisation	31/03/10	Amount Accumulated 31/03/09
Group 1	0.1501	-	0.1501	0.5800
Group 2	-	0.1501	0.1501	0.5800

For the period from 1st February 2010 to 31st July 2010

### Final dividend distribution in pence per share

#### Income Shares

	Net Income	Equalisation	30/11/10	Distribution Payable/Paid 30/11/09
Group 1	-	-	-	-
Group 2	-	-	-	-

#### Accumulation Shares

	Net Income	Equalisation	30/11/10	Amount Accumulated 30/11/09
Group 1	-	-	-	0.2088
Group 2	-	-	-	0.2088

## Administration Queries

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You should remember that past performance is not a guide to the future. The price of shares and the income from them may go down as well as up and you may get back less than you invested. Exchange rates will also cause the value of underlying investments to fall or rise. Tax concessions are not guaranteed and may be changed at any time; their value will depend on your individual circumstances. For your protection when dealing, your call may be recorded and monitored. Details of the nature of the investments, the commitment required and fund specific risk warnings are described in the Simplified Prospectus document which is available on request. Large print documents are available on request from the above Guildford address.