

# The Sentinel Defensive Portfolio, a sub-fund of the Sentinel Funds

## Interim Short Report for the period from 13th May 2008 to 31st January 2009

The information in this report is designed to enable investors to make an informed judgement on the activities of the Fund during the year. Copies of the Long-Form Interim Report & Accounts are available free of charge by calling Premier on 01483 306 090, or can be downloaded from the Fund's website at [www.thesentinel fund.co.uk](http://www.thesentinel fund.co.uk).

### Investment Objective and Policy

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

### Fund Facts

Launch date: 13 May 2008  
 Ex-dividend dates: 31 January and 31 July  
 Income dates: 31 March and 30 November  
 IMA sector: IMA Unclassified

### Total Expense Ratio (TER)

31/01/2009  
 1.75%

The TER shows the annual operating expenses of the Fund including the annual management charge and other expenses. It does not include transaction charges. Funds highlight the TER to help you compare the annual operating expenses to different schemes. The TER for income and accumulation shares is the same. As this Fund has not reached its first accounting year end (28/07/09), the TER is estimated based on projected fund sizes and expenses.

### Investment Risks

There is a market risk. This is the risk that the value of investments and any income from them, can fall as well as rise. Neither capital or income is guaranteed.

This Fund may invest in derivatives for investment purposes. Although this may mean that the value of the Fund could be subject to volatility from time to time, investing in derivatives is not expected to alter the risk profile of the Fund.

Historically, zero dividend preference shares proved to be a lower risk investment than more traditional shares. However, serious falls in stockmarket levels can produce material changes to their structure. Most zeros are now regarded as lower risk investments than equities.

A fund which invests heavily in securities (including zero dividend preference shares) which may be subject to significant levels of borrowing, often known as "gearing", is vulnerable to sudden and large falls in value which may result in no realisable value if there is a sufficiently large fall in value of the underlying investments subject to gearing.

Since this Fund has been launched recently, or is small in size, there is a risk that the charges and expenses allocated to the Fund may be higher than expected if the Fund does not grow as much as planned. This would have an effect on the Fund's performance.

### Net Asset Values (in pence per share)

As at	Share Class	Distribution
31/01/2009	Income	84.14
	Accumulation	84.14

### Performance Record (in pence per share)

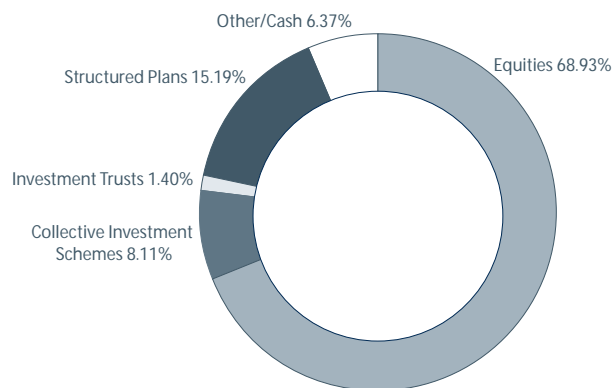
Year	Share Class	Highest Price	Lowest Price
2008 <sup>1</sup>	Income	100.40	80.05
	Accumulation	100.40	80.15
2009 <sup>2</sup>	Income	85.64	83.86
	Accumulation	86.01	84.23

<sup>1</sup>14th May 2008 to 31st December 2008.

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

Past performance is not a guide to future returns. 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.


### Asset Allocation as at 31/01/2009



There are no comparative figures as the Fund launched on 13th May 2008.

### Top Ten Holdings as at 31/01/2009

JZ Capital Partners Zero Dividend Preference .....	7.83%
Dexion Absolute (USD).....	7.39%
JPMorgan Private Equity Zero Dividend Preference.....	7.23%
Utilico Finance Zero Dividend Preference 31/10/2012 .....	5.49%
M&G Recovery Zero Dividend Preference.....	5.19%
Elders Investment - Series 16A .....	5.17%
Dexion Equity Alternative .....	5.10%
Symphony Structured FTSE100 2013.....	4.52%
Merrill Lynch FTSE 100 Growth and Income .....	4.34%
Alternative Investment Strategies .....	4.09%



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#### Investment Review

##### Performance

It has been the worst six months in most investors' memories and all asset classes, with the exception of G7 government bonds, had a torrid time. The FTSE All Share Index was down 32.62%. Returns from credit markets were also very poor as credit spreads widened significantly, offsetting any gains to be made from falling official interest rates. Against this background the Fund struggled to maintain its value despite a steady performance from most of the zero dividend preference shares (zeros) in the portfolio. The structured products were hit by a combination of falling markets, widening credit spreads and increased volatility, although the defensive autocalls did a reasonable job. The funds of hedge funds were amongst the worst performers with several falling by more than 30%. Over the first six months of the Fund's year, the unit price fell 15.11%, a disappointing return but similar to both cautious managed and high income bond funds.

##### Portfolio Activity

The strategy from the outset has been to keep the Fund fully invested and not to attempt to finesse markets by maintaining large cash positions. Consequently we suffered in falling markets but will be full beneficiaries of any market recovery. The monies have been invested into the three areas of the Fund; zero dividend preference shares, alternatives and structured products, in equal proportions. The balance of the Fund is altered depending on the relative merits of each category. In September most of the cash flow was invested into zeros as the outlook for equities looked problematic, but by December the sell off in funds of hedge funds had thrown up real value. As a result we purchased stock in MW TOPS, Dexion Absolute and Brevan Howard Macro and have made some sizeable profits.

##### Outlook

The panic selling seen in the closed end hedge funds has now stopped and prices have started to move ahead in anticipation of a return of capital, and it is our belief that this will continue. Companies have been buying in stock during the past couple of weeks, effectively buying assets worth a pound for less than 90p, adding value for patient shareholders. After the appalling autumn months when asset values fell around 20% December and January have been OK showing small gains. Much of the painful deleveraging has taken place and we hope to capture a 'bounce' in NAVs, whilst watching discounts narrow. The current crisis has thrown up many opportunities particularly in credit based funds and all trades are likely to be less 'crowded' as many funds wind themselves up. Zeros have proven to be a relatively safe haven over the last few months and look likely to continue to benefit as investors adjust to the low interest rate environment. The falls in interest rates, which we view as inevitable, combined with a narrowing of credit spreads would produce useful returns from our investments.

The structured products mark to market on a real time basis and when volatility and credit spreads rise these investments are adversely impacted. However, many of the products we own will pay out more than 130p in two to three years time even with markets at these levels. The pull to redemption means in most cases these returns are not dependent on any equity market recovery.

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

The full Investment Review is available in the Long-form Interim Report & Accounts, which is available on request, or from the Fund's website at [www.thesentinel fund.co.uk](http://www.thesentinel fund.co.uk).

#### Other Information

*Authorised Corporate Director:* **Premier Portfolio Managers Limited,**  
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You should remember that past performance is not a guide to future returns and 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. Investment in these funds should be viewed as a long term investment. Exchange rates will also cause the value of underlying investments to fall as well as rise. Tax concessions are not guaranteed and may be changed at any time, their value will depend on your individual circumstances. Reference to any particular stock does not constitute a recommendation to buy or sell the stock. 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. Monthly cash withdrawals may lead to erosion of the capital value of your investment should you take a higher cash withdrawal than the growth or income generated. 3003095578