

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

## Short Report for the period from 13th May 2008 to 31st July 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 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

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

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

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

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

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

### 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)

31/07/2009  
 2.08%

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.

### Performance Record (in pence per share)

| Year              | Share Class  | Highest Price | Lowest Price |
|-------------------|--------------|---------------|--------------|
| 2008 <sup>1</sup> | Income       | 100.00        | 84.24        |
|                   | Accumulation | 100.00        | 84.59        |
| 2009 <sup>2</sup> | Income       | 96.45         | 75.91        |
|                   | Accumulation | 96.80         | 75.94        |

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

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

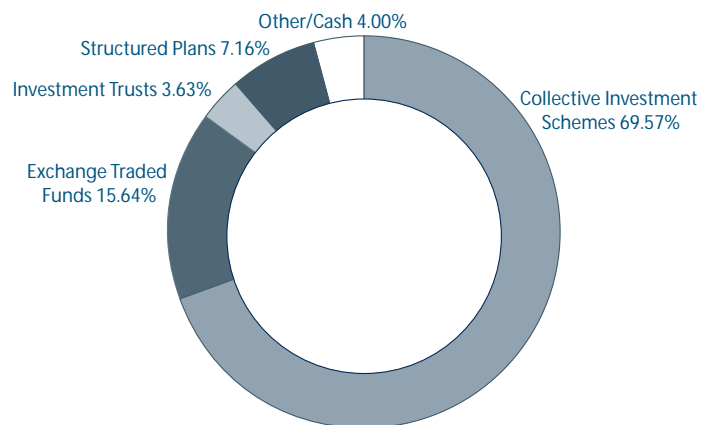
### Net Asset Values (in pence per share)

| As at      | Share Class  | Distribution |
|------------|--------------|--------------|
| 31/07/2009 | Income       | 96.12        |
|            | Accumulation | 96.46        |

### Dividend Distribution (in pence per share)

| Period End | Paid       | Share Class  | Distribution/Accumulation |
|------------|------------|--------------|---------------------------|
| 31/01/2009 | 31/03/2009 | Income       | 0.5103                    |
|            |            | Accumulation | 0.5800                    |
| 31/07/2009 | 30/11/2009 | Income       | -                         |
|            |            | Accumulation | 0.2088                    |

### Asset Allocation as at 31/07/2009



There are no comparative year figures as this is the Fund's first Annual Short Report.

### Top Ten Holdings as at 31/07/2009

|  |       |
|--|-------|
| iShares FTSE 100                       | 9.82% |
| M&G Optimal Income                     | 9.33% |
| Goldman Sachs Sterling Liquid Reserves | 5.76% |
| Insight Liquidity                      | 5.75% |
| BNP Paribas Insticash                  | 5.67% |
| First State Asia Pacific 'B'           | 5.48% |
| Invesco Corporate Bond                 | 4.27% |
| iShares S&P 500                        | 4.26% |
| Legal and General Dynamic Bond 'I'     | 4.12% |
| Schroder Income Maximiser 'A'          | 3.74% |



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

### Investment Review

#### Performance

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

#### Portfolio Activity

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

#### Outlook

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

Source: North Investment Partners, August 2009. Performance figures are taken

from Financial Express Analytics and are quoted on a bid to bid, total return, UK sterling basis.

The full Investment Review is available in the Long-form 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).

### 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.

Investment in smaller companies and newer markets offers the possibility of higher returns but may also involve a higher degree of risk.

There is a currency risk. The value of your shares or units, and any income received from them, may be affected by changes in exchange rates.

The Fund may have significant holdings in collective investment vehicles and these collective investment vehicles may also be subject to the other risks listed on this page.

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.

### Other Information

*Authorised Corporate Director:* **Premier Portfolio Managers Limited,**  
Eastgate Court, High Street, Guildford,  
Surrey, GU1 3DE

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

*Depositary:* **The Royal Bank of Scotland plc,**  
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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. 2711096046