



Annual Report and Financial Statements for Sentinel Defensive Portfolio

For the year ended 31 July 2017

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T J Ricketts
T H Ricketts
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Depositary

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Investment Advisers

Premier Fund Managers Limited
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Investment Adviser's Report

For the year ended 31 July 2017

Investment Objective

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).

Investment Review

| | |
|----------------------|-------|
| Sentinel Defensive A | 3.61% |
| Sentinel Defensive B | 4.28% |

Source: FE Analytics, quoted on a total return, bid to bid, UK sterling basis.

Performance

The Fund (class B accumulation shares) delivered a positive performance of 4.27% over the reporting period. For comparison purposes, the FTSE 100 Index returned 14.01%, and cash, as represented by 3 Month Sterling London Interbank Offered Rate (LIBOR), returned 0.36%. Volatility of the Fund remains very low being only a small fraction of equities.

Market Review

Over the last year UK and global equity markets performed well, supported by ongoing accommodative monetary policy, while the unexpected Trump US election victory gave an extra boost to equities on hopes for more reflationary policies, with the more recent Macron victory in France leading to gains for European markets. The UK equity market experienced small bouts of volatility but performed well over the last 12 months following the strong rebound in the market helped by the devaluation of Sterling after the Brexit vote. Following the unexpected vote to leave the European Union (EU) in June 2016, in August the Bank of England cut the base rate to 0.25% and increased Quantitative Easing (QE), to buy a further £60bn of gilts. This provided a further welcome boost to UK financial markets, which were also supported by stronger UK economic data. As expected Article 50 was triggered on 29th March to give notice to leave the EU, but political risk escalated sharply following the calling of a snap general election in June, which unexpectedly saw the Conservatives lose their majority, resulting in a hung parliament. Sterling initially dropped on the shock election result and then recovered some ground, while UK equities held up reasonably well considering the uncertain political backdrop.

Gilts produced negative returns over the year, experiencing significant weakness in late 2016 as the reflation theme gained ground, then seeing some recovery in early 2017 as hopes for reflation waned. However, more recently gilts saw a further sell-off as expectations grew that rates in the UK could rise sooner than anticipated, while the market was also concerned by prospects for ongoing hikes in US interest rates and the possibility of the European Central Bank reducing their QE programme.

Portfolio Activity

We are increasingly using investment strategies that have the potential to benefit from any increase in market volatility and dispersion, therefore making the Fund less sensitive to market shocks. We have incorporated more relative value strategies that have the potential to generate positive returns in both rising and falling markets.

Investment Adviser's Report (continued)

The flexibility to access and adjust exposures to asset classes, enables the Fund to be positioned to take advantage of both value and pricing opportunities that arise during pockets of market volatility. We invest in a diverse range of strategies which predominantly offer a predictable return profile. Strategies typically have a fixed life, enabling easier identification of the major risks, and a fixed entitlement, enabling us to calculate the responsiveness of the investments if those major risks occur.

Underlying asset class exposure is diverse and includes UK equities, indirect exposure to commercial property, private equity, reinsurance, US equities, Asian equities, litigation finance and many other asset classes. Geographical, sector and asset class exposures are determined by our top-down analysis and then complemented by bottom-up analysis, focusing on stability and downside protection, looking to extract value from a continually moving set of opportunities.

Outlook

While financial markets have continued to safely navigate recent geopolitical events we believe there remains significant potential headwinds and that these risks have not been appropriately priced into risk asset valuations. We therefore continue to position the Fund in a defensive fashion. This is achieved by constantly monitoring our exposures to risks and accordingly adjusting our responsiveness in line with the Fund's principles. We currently look for less correlated strategies that can provide an attractive balance for investors and seek to generate growth on a low volatility basis utilising predictable investments and our risk modelling techniques.

Source: Premier Fund Managers Limited, 31.07.2016 to 31.07.2017. Performance data taken from FE Analytics, quoted on a total return, bid to bid, UK sterling basis.

Premier Fund Managers Ltd
Investment Adviser
13 September 2017

Certification of Accounts by Directors of the ACD

This report is signed in accordance with the requirements of the Collective Investment Schemes Sourcebook (COLL) as issued and amended by the Financial Conduct Authority.

T J Ricketts **M D Jealous**
Margetts Fund Management Ltd
30 November 2017

Authorised Status

The Sentinel Defensive Fund is a sub-fund of The Sentinel Fund ICVC, which is an open-ended investment company with variable capital incorporated in England and Wales under regulation number IC658 and authorised by the Financial Conduct Authority with effect from 1 May 2008.

The fund is classed as a Non-UCITS Retail Fund (NURS) scheme, which complies with the requirements of the FCA FUND and COLL handbooks. Shareholders are not liable for the debts of the fund.

Significant purchases and sales

For the year ended 31 July 2017

| | |
|--|--------------------|
| Total purchases for the year | £49,013,436 |
| Purchases | Cost (£) |
| BANK OF AMERICA 7.75% 30/04/2018 | 2,112,460 |
| ACORN INCOME FUND LD ZDP 1P 2022 | 2,024,401 |
| SOCGEN 4.1Y FTSE AUTOCALL 11/12/2020 | 2,008,250 |
| INVESTEC SX5E SPX | 2,006,640 |
| INVESTEC BANK 4YR 2M FTSE 100 01 JUN 2021 | 2,000,000 |
| NATIXIS EUROSTOXX 50 08 SEPT 2017 | 1,968,961 |
| CREDIT SUISSE FTSE 100 AUTOCALL 21/06/2021 | 1,700,350 |
| INVESTEC BANK UKX 11 JAN 2021 | 1,599,760 |
| HSBC 5 YEAR GBP PREF MTN | 1,305,600 |
| MS 4Y GBP EIS SX5E SPX STEP | 1,003,000 |
| ROYAL BANK OF CANADA 0% 10 JAN 2018 | 1,000,000 |
| NATIXIS FTSE 100 11 AUG 2020 | 1,000,000 |

| | |
|--|---------------------|
| Total sales for the year | £46,530,486 |
| Sales | Proceeds (£) |
| M&G HIGH INCOME INVESTMENT TRUST PLC ZDP | 3,815,613 |
| SG 4 YEAR AUTOCALL | 3,153,000 |
| ELECTRA PRIVATE EQUITY INVEST PLC | 2,388,652 |
| INVESTEC 4YR SX5E/UKX | 2,109,000 |
| ACORN INCOME FUND LD ZDP 1P | 2,024,401 |
| UIL FINANCE LTD ZDP 2016 | 1,971,617 |
| ROYAL BANK OF CANADA 0.0% 28/08/18 | 1,866,200 |
| EW&PO FINANCE PLC ZERO DIVD PREFERENCE SHARES \$1 | 1,647,175 |
| SG 5Y GBP AUTO FTSE 100 CALL | 1,592,250 |
| INVESTEC UKX DEFENSIVE 4Y AUTOCALL | 1,572,750 |
| SG 4Y GILTS AUTOCALL FTSE | 1,560,000 |
| CREDIT SUISSE AG ELN 0.0% 04/12/17 ANDREA INV PREF | 1,499,375 |
| SG GILT BACKED DEFENSIVE AUTOCALL | 1,393,600 |
| PICTON ZDP LIMITED ZDP 0.0001P | 1,336,331 |
| MORGAN STANLEY 0% 10 SEP 2019 | 1,055,800 |
| SG 4YR GBP AUTOCALL ON FTSE 2016 | 1,052,500 |
| ABERFORTH GEARED INCOME TRUST PLC ZDP | 1,004,996 |

Portfolio Statement

As at 31 July 2017

| | | Total Net Assets | | |
|-------------------|--|------------------|---------------|---------------|
| Holding | Portfolio of Investments | Value (£) | 31.07.17 % | 31.07.16 % |
| Closed-Ended | | | | |
| 480,000 | Acencia Debt Strategies Ltd | 563,904 | 0.71 | |
| 79,500 | BH Global Limited Ord NPV GBP | 1,020,780 | 1.29 | |
| 35,167 | BH Macro Limited Ord NPV | 698,417 | 0.89 | |
| 40,000 | Blackrock World Mining Trust PLC Ord 5P | 147,500 | 0.19 | |
| 267,984 | Blue Capital Global Reinsurance Fund Ltd | 208,867 | 0.26 | |
| 42,500 | Boussard & Gavaudan EUR Ord | 754,804 | 0.96 | |
| 28,750 | British Empire Securities & General Trust PLC Ord | 198,088 | 0.25 | |
| 82,250 | Brunner Investment Trust PLC | 600,425 | 0.76 | |
| 10,000 | Capital Gearing Trust PLC | 390,000 | 0.49 | |
| 72,900 | CATCo Reinsurance Opportunities Fund Ltd | 74,198 | 0.09 | |
| 152,536 | DW Catalyst Fund Limited | 1,876,193 | 2.38 | |
| 1,724,666 | Edinburgh Dragon T 3.,5% CNV UNS Loan STK 31/10/18 | 1,871,263 | 2.37 | |
| 405,500 | Highbridge Multi-Strategy Fund GBP | 858,646 | 1.09 | |
| 500,000 | ICG-Longbow Senior Secured UK Property Debt | 518,750 | 0.66 | |
| 925,000 | JP Morgan Gobal Convertibles Income Fund | 920,375 | 1.17 | |
| 351,000 | Juridica Investments Limited Ord NPV | 29,835 | 0.04 | |
| 206,451 | Miton Worldwide Growth Investment Trust | 530,579 | 0.67 | |
| 50,000 | Perpetual Income & Growth | 194,450 | 0.25 | |
| 305,000 | Phaunos Timber Fund Limited Ord NPV | 99,247 | 0.13 | |
| 87,500 | Picton Property Income Ltd Ord NPV | 74,594 | 0.09 | |
| 200,000 | Ruffer Investment Co Ltd | 463,000 | 0.59 | |
| 661,000 | Sanditon Investment Trust PLC | 642,820 | 0.81 | |
| 20,000 | Tetragon Financial Group Ltd | 195,232 | 0.25 | |
| 219,405 | UK Mortgages Limited | 201,853 | 0.26 | |
| | Total Closed-Ended | 13,133,820 | 16.65 | 10.35 |
| Convertible Bonds | | | | |
| 430,000 | Aberdeen Asian Smaller Companies 3.5% 31/05/2019 | 546,100 | 0.69 | |
| 700,000 | British Land White 0% | 664,510 | 0.84 | |
| 23 | City Natural Res 09/30/18 3.5% CUL | 23 | 0.00 | |
| 290,040 | F&C Global Smaller Companies PLC CULS 3 1/2 07/3 | 372,701 | 0.47 | |
| 300,000 | Helical Bar Jeresy LTD 4% 17/06/2019 | 297,549 | 0.38 | |
| 60,000 | JZ Capital Partners 6% 31/03/2021 | 678,000 | 0.86 | |
| 1,200,000 | St Modwen Properties 2.875% 06/03/2019 | 1,190,544 | 1.51 | |
| | Total Convertible Bonds | 3,749,427 | 4.75 | 5.97 |
| Corporate Bonds | | | | |
| 800,000 | Barclays 7.75% 10/04/2023 | 626,966 | 0.79 | |
| 2,000,000 | Bank Of America 7.75% 30/04/18 | 2,101,320 | 2.67 | |
| 626,900 | Burford Capital 6.5% 19/08/2022 | 697,458 | 0.88 | |
| 600,000 | Vodafone Group PLC 8.125% 26/11/18 | 655,464 | 0.83 | |
| | Total Corporate Bonds | 4,081,208 | 5.17 | 1.95 |

Portfolio Statement (continued)

| Holding | Portfolio of Investments | Value (£) | Total Net Assets | |
|-----------|---|-------------------|------------------|---------------|
| | | | 31.07.17 % | 31.07.16 % |
| | Exchange Traded Notes | | | |
| 5,050 | iPath S&500 VIX Short Term Future | 42,914 | 0.05 | |
| 100,000 | iPath S&500 VIX Short Term Future (DE) ETN | 8,250 | 0.01 | |
| | Total Exchange Traded Notes | 51,164 | 0.06 | 0.04 |
| | Options | | | |
| 20 | FTSE 100 Calls C7800 15/12/17 | 4,600 | 0.01 | |
| | Total Options | 4,600 | 0.01 | 0.05 |
| | REITs | | | |
| 305,000 | Impact Health care REIT PLC | 314,150 | 0.40 | |
| | Total REITs | 314,150 | 0.40 | 0.00 |
| | Preference Shares | | | |
| 472,965 | Aberforth Greared Income trust PLC | 487,154 | 0.62 | |
| 1,822,888 | Acorn Income Fund Ltd ZDP 2022 | 2,615,844 | 3.32 | |
| 612,500 | Chelverton Small Companies - ZDP 2018 | 823,813 | 1.04 | |
| 1,929,000 | Conygar Investment(Spt) ZDP 2019 | 2,411,250 | 3.06 | |
| 45,111 | FRM Credit Alpha Limited GBP | 32,769 | 0.04 | |
| 689,961 | GLI Finance ZDP | 717,558 | 0.91 | |
| 448,000 | Inland ZDP Plc ZDP 10P | 638,400 | 0.81 | |
| 22,500 | JP Morgan Income & Capital Trust Plc Zero Div | 41,850 | 0.05 | |
| 140,000 | JZ Capital Partners Ltd ZDP 2020 | 576,800 | 0.74 | |
| 100,000 | NB Private Equity- ZDP 2022 | 106,250 | 0.13 | |
| 800,000 | PCGH ZDP PLC | 812,000 | 1.03 | |
| 80,000 | Pewt Securities PLC 2020 ZDP | 89,600 | 0.11 | |
| 235,000 | Ranger Direct Lending ZDP 2021 | 235,000 | 0.30 | |
| 1,175,000 | Real Estate Credit investment Pref Shs | 1,186,750 | 1.50 | |
| 290,250 | Taliesin Property Fund Ltd ZDP | 400,545 | 0.51 | |
| 346,767 | UIL Finance Ltd ZDP 2018 | 539,223 | 0.68 | |
| 1,000,000 | US Traded Life Interests PtRedPrf | 0 | 0.00 | |
| | Total Preference Shares | 11,714,806 | 14.85 | 28.96 |
| | Shares | | | |
| 73,429 | Aberdeen Diversified Income and Growth | 87,197 | 0.11 | |
| 20,000 | Burford Capital Limited ORD NPV | 226,000 | 0.29 | |
| 220,164 | Capital & Regional Plc | 119,439 | 0.15 | |
| 5,500 | Deutsche Wohnen AG-BR | 165,964 | 0.21 | |
| 450,000 | Dexion Redemption Shares 2013 | 0 | 0.00 | |
| 250,000 | Hadrians Wall Secured Investments C | 250,000 | 0.33 | |
| 245,350 | Hadrians Wall Secured Investments | 256,391 | 0.32 | |
| 125,000 | Jupiter Dividend & Growth ZDP | 176,874 | 0.22 | |
| 20,000 | Panthon International Ord PLC | 356,400 | 0.45 | |
| 51,177 | SQN Asset Finance Income C Ord | 49,898 | 0.06 | |
| 120,000 | TR Property Investment Trust | 425,760 | 0.54 | |
| 50,000 | Urban & Civic Plc Ord GBP 0.20 | 135,000 | 0.17 | |
| 5,500 | Vonovia SE | 169,729 | 0.22 | |
| | Total Shares | 2,418,652 | 3.07 | 1.52 |

Portfolio Statement (continued)

| Holding | Portfolio of Investments | Total Net Assets | | |
|-----------|---|------------------|---------------|---------------|
| | | Value (£) | 31.07.16 % | 31.07.15 % |
| | Structured Products | | | |
| 200,000 | Barclays Bank PLC 0% 06/11/2017 | 304,128 | 0.39 | |
| 700,000 | Barclays European Barrier Autocallable FTSE 100 03 | 700,000 | 0.89 | |
| 1,200,000 | Barclays FTSE S&P Synth 0 04/23/19 | 1,664,160 | 2.11 | |
| 720,000 | Barclays Warrant Linked Note 01/15/2020 | 822,456 | 1.04 | |
| 800,000 | BNP Paribas Aibv Cert 23/04/2018 (Prf Shs) | 969,760 | 1.23 | |
| 500,000 | BNP June Warrant On Equity SPX | 401,816 | 0.51 | |
| 500,000 | BNP Paribas Arbitrage Issuance B.V 0% 17/03/2017 | 482,900 | 0.61 | |
| 500,000 | BNP PARIBAS ARBITRAGE MSCI EM Index 0.0% 12/0 | 610,800 | 0.77 | |
| 300,000 | BNP SYNERGY 3yr PREF Preference Share linked Cert | 315,840 | 0.40 | |
| 500,000 | BNP TFS 4y GBP Lookback Protected Tracker on FTSE | 550,200 | 0.70 | |
| 480,000 | Credit Suisse 4yr GBP SPX Straddle Note 13/08/18 | 438,576 | 0.56 | |
| 1,700,000 | Credit Suisse AG London 21/06/2021 | 1,690,990 | 2.14 | |
| 300,000 | Credit Suisse Autocall on FTSE 100 11/18/20 | 301,650 | 0.38 | |
| 700,000 | Credit Suisse GBP SPX Straddle 03/12/19 | 698,320 | 0.89 | |
| 9 | DB Merger Arbitrage 02/17/22 | 681,436 | 0.86 | |
| 900 | Deutsch-CW19 S&P 500 Index | 14,029 | 0.02 | |
| 500 | Goldman Sachs & Co wert | 512,384 | 0.65 | |
| 300,000 | Goldman Sachs & Co wert 0% Bonds 20/06/2018 | 293,700 | 0.37 | |
| 250,000 | Goldman & Co Wert 01 JULY 2019 | 292,100 | 0.37 | |
| 500 | Goldman sachs 29/06/2018 | 466,629 | 0.59 | |
| 500,000 | Goladman Sachs International | 547,350 | 0.69 | |
| 400,000 | Goldman Sachs Structured Product P4YR | 290,882 | 0.37 | |
| 500,000 | Goldman 4YR Delta Russell | 427,800 | 0.54 | |
| 500,000 | GS 4Y GBP FTSE 100 IL PF SHS | 438,200 | 0.56 | |
| 700,000 | HSBC 4 YEAR GBP AUTOCALL | 699,510 | 0.89 | |
| 1,300,000 | HSBC 5 YEAR GBP PREF MTN | 1,324,180 | 1.68 | |
| 1,000,000 | Investec Bank PLC 4y 1m Increasing Coupon Autoc | 998,730 | 1.27 | |
| 2,000,000 | Investec Bank PLC GBP Defensive 4y 2month Incre | 2,052,500 | 2.60 | |
| 1,600,000 | Investec UKX Defensive 4y Autocall | 1,607,584 | 2.04 | |
| 2,000,000 | Investec Bank 06/01/21 | 2,001,200 | 2.54 | |
| 500,000 | JPM Morgan Structured Pro FTSE 100 GBP 4 Years | 500,000 | 0.63 | |
| 700,000 | JPM Outperformance Tracker 5y Eluk Index 17/03/2021 | 663,516 | 0.84 | |
| 700,000 | JPM 0 08/08/22 5yr USD Relative Autocall Eurostoxx | 529,701 | 0.67 | |
| 600,000 | Morgan Stanley Bv 07/06/2021 | 603,600 | 0.77 | |
| 750,000 | Morgan Stanley 07/06/2021 | 750,225 | 0.95 | |
| 500,000 | Morgan Stanley BV Eurostoxx 50 Dividend | 655,450 | 0.83 | |
| 600,000 | MS BV 0% Domestic 05/02/19 | 526,620 | 0.67 | |

Portfolio Statement (continued)

| Holding | Portfolio of Investments | Value (£) | Total Net Assets | |
|------------|--|-------------------|------------------|---------------|
| | | | 31.07.16 % | 31.07.15 % |
| 400,000 | MS Worst Of Barrier Rev Conv | 456,960 | 0.58 | |
| 1,000,000 | MS 0 09/21/21 | 1,019,900 | 1.29 | |
| 2,000,000 | Natixis Rev Conv Estoxx | 1,631,722 | 2.07 | |
| 1,000,000 | Natixis Structured 11 Aug 2020 | 1,067,540 | 1.35 | |
| 900,000 | Natixis Structured Issuance 2019 | 647,845 | 0.82 | |
| 600 | Nomura 4 Yrs Bear On FTSE100 | 592,230 | 0.75 | |
| 1,100,000 | Royal Bank Of Canada 0.0% 09/04/2018 | 1,107,040 | 1.40 | |
| 300,000 | Royal Bank Of Canada Toronto GBP 3m Notes | 274,320 | 0.34 | |
| 1,000,000 | Royal Bank Toronto GBP linked FTSE 100 | 1,024,000 | 1.30 | |
| 1,200,000 | Royal Bank Toronto USD notes | 812,168 | 1.03 | |
| 800,000 | Soc Gen 5Y Autocall FTSE 100 25/07/22 | 800,000 | 1.01 | |
| 900,000 | Soc Gen 0 09/11/18 | 1,068,570 | 1.35 | |
| 4,000 | Soc Gen ITRAXX Warrant 01/10/22 | 64,712 | 0.08 | |
| 900,000 | Soc Gen 4Y GBP Gilt backed Range Accrual | 768,780 | 0.97 | |
| 1,050,000 | Soc Gen 4Y GBP Range Accrual on FTSE 100 | 896,175 | 1.14 | |
| 2,000,000 | Soc Gen J4.1Y GBP Autocall on FTSE 100 | 1,999,600 | 2.53 | |
| | Total Structured Products | 41,060,484 | 52.03 | 46.30 |
| | Forward FX Currency Contracts | | | |
| 3,340,000 | Sell EUR, Buy GBP 2,940,356 19/10/2017 | (51,127) | (0.06) | |
| 10,230,000 | Sell USD, Buy GBP 7,811,802 19/10/2017 | 90,673 | 0.11 | |
| | Total Forward FX Currency Contracts | 39,546 | 0.05 | (0.05) |
| | Futures | | | |
| (12) | FTSE 100 Index Future Sep 17 | 14,310 | 0.02 | |
| (50) | Long Gilt Future Sep17 | 110,263 | 0.14 | |
| (42) | Medium Gilt Future Sep17 | 16,230 | 0.02 | |
| (28) | MSCI Asia Ex Japan Sep17 | (52,798) | (0.07) | |
| (3) | Russell 2000 Mini Sep17 | (141) | (0.00) | |
| (3) | S&P 500 EMINI EOM Sep 17 | (4,317) | (0.01) | |
| (100) | Short Gilt Future Sep17 | 18,519 | 0.03 | |
| | Total Futures | 102,066 | 0.13 | (0.75) |
| | Portfolio of Investments | 76,528,312 | 97.00 | 95.14 |
| | Forward FX Currency Contracts | 39,546 | 0.05 | (0.05) |
| | Futures | 102,066 | 0.13 | (0.75) |
| | Net Current Assets | 2,227,256 | 2.82 | 5.49 |
| | Net Assets | 78,897,180 | 100.00 | 100.00 |

The investments have been valued in accordance with note 1(b).

Statement of ACD's Responsibilities

The ACD is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL") requires the Authorised Corporate Director to ensure that the financial statements for each accounting period give a true and fair view of the financial affairs of the Scheme and of the net income / expenses and of the net gains / losses on the property of the Scheme for that year.

In preparing the financial statements the ACD is required to:

- select suitable accounting policies, as described in the attached financial statements, and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- comply with the Prospectus, generally accepted accounting principles and applicable accounting standards subject to any material departures which are required to be disclosed and explained in the financial statements;
- comply with the disclosure requirements of the Statement of Recommended Practice for Financial Statements and Authorised Funds;
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Scheme and to enable them to ensure that the financial statements comply with the COLL Sourcebook. The ACD is also responsible for safeguarding the assets of the Scheme and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The function is performed by the ACD and references to the ACD include the AIFM as applicable.

In so far as the ACD is aware:

- There is no relevant audit information of which the Scheme's auditors are unaware; and
- The ACD has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of the Sentinel Defensive Fund of the Sentinel Fund ("the Company") for the Period Ended 31 July 2017

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, and, from the 22nd July 2014 the Investment Funds Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Scheme documents and the Regulations in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AIFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company in accordance with the Regulations and Scheme documents of the Company.

For and on behalf of
BNY Mellon Trust & Depositary (UK) Limited
160 Queen Victoria Street
London EC4V 4LA

Manager
30 November 2017

Independent Auditor's Report

To the shareholders of Sentinel Defensive Fund

Opinion

We have audited the financial statements of Sentinel Defensive Fund (the Fund), for the year ending 31 July 2017 which comprise the Statement of Change in Net Assets Attributable to shareholders, the Balance Sheet, the Statement of Total Return, the related notes and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Association (the 'Statement of Recommended Practice for Authorised Funds').

This report is made solely to the shareholders of the fund, as a body, in accordance with Rule 4.5.12 of the Collective Investment Scheme Sourcebook (COLL) of the Financial Conduct Authority (FCA).

Our audit work has been undertaken so that we might state to the 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 fund and the fund's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31 July 2017 and of the net income and net capital gains on the property of the Fund for the year then ended;
- have been properly prepared in accordance with the Prospectus, the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook issued by the Financial Conduct Authority and United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the ACD's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the ACD have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the ACD's report and the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the ACD's report and the ACD's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the fund and its environment obtained in the course of the audit, we have not identified material misstatements in the ACD's report or the ACD's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Alternative Investment ACD remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Independent Auditor's Report (continued)

Responsibilities of Authorised Corporate Director

As explained more fully in the ACD's responsibilities statement, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the ACD is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the ACD.
- Conclude on the appropriateness of the ACD's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Robert Wood
Senior Statutory Auditor
For and on behalf of Shipleys LLP
Chartered Accountants and Statutory Auditors
10 Orange Street
Haymarket
London
WC2H 7DQ

12 December 2017

Net Asset Value per Share and Comparative Tables

A Accumulation share class

| Change in net assets per share | 31/07/2017 | 31/07/2016 | 31/07/2015 |
|-------------------------------------|------------|------------|------------|
| Opening net asset value per share | 124.2739 | 125.1200 | 121.7200 |
| Return before operating charges * | 6.4343 | -0.0461 | 3.9900 |
| Operating charges | -1.7800 | -0.8000 | -0.5900 |
| Return after operating charges | 4.6543 | -0.8461 | 3.4000 |
| Distribution on income shares | 0.0000 | 0.0000 | 0.0000 |
| Closing NAV per share | 128.9282 | 124.2739 | 125.1200 |
| Retained distribution on acc shares | 0.0000 | 0.0000 | 0.1951 |

* After direct transaction costs of 0.0154 0.0546 0.0043

Performance

Return after charges 3.75% -0.68% 2.79%

Other Information

| | | | |
|-----------------------------|-----------|-----------|-----------|
| Closing net asset value (£) | 4,213,434 | 4,325,801 | 6,500,889 |
| Closing number of shares | 3,268,047 | 3,480,860 | 5,195,788 |
| OCF | 1.62% | 1.46% | 1.40% |
| Direct transaction costs | 0.01% | 0.04% | 0.00% |

Prices

| | | | |
|-----------------------------|--------|--------|--------|
| Highest share price (pence) | 129.58 | 125.89 | 125.92 |
| Lowest share price (pence) | 124.40 | 122.69 | 120.58 |

A Income share class

| Change in net assets per share | 31/07/2017 | 31/07/2016 | 31/07/2015 |
|-----------------------------------|------------|------------|------------|
| Opening net asset value per share | 124.1449 | 124.5900 | 121.7400 |
| Return before operating charges * | 0.0000 | -0.4451 | 3.0027 |
| Operating charges | 0.0000 | 0.0000 | -0.0100 |
| Return after operating charges | 4.6451 | -0.4451 | 2.9927 |
| Distribution on income shares | 0.0000 | 0.0000 | -0.1427 |
| Closing NAV per share | 128.7900 | 124.1449 | 124.5900 |

* After direct transaction costs of 0.0000 0.0513 0.0014

Performance

Return after charges 0.00% -0.36% 2.46%

Other Information

| | | | |
|-----------------------------|-------|-------|-------|
| Closing net asset value (£) | - | - | 5,536 |
| Closing number of shares | - | - | 4,444 |
| OCF | 1.62% | 1.46% | 1.40% |
| Direct transaction costs | 0.00% | 0.04% | 0.00% |

Prices

| | | | |
|-----------------------------|--------|--------|--------|
| Highest share price (pence) | 129.44 | 125.51 | 125.56 |
| Lowest share price (pence) | 124.27 | 122.33 | 120.57 |

Net Asset Value per Share and Comparative Tables (continued)

B Accumulation share class

| Change in net assets per share | 31/07/2017 | 31/07/2016 | 31/07/2015 |
|-------------------------------------|------------|------------|------------|
| Opening net asset value per share | 128.1476 | 128.1100 | 123.8400 |
| Return before operating charges * | 6.5100 | 1.0276 | 5.3800 |
| Operating charges | -0.8500 | -0.9900 | -1.1100 |
| Return after operating charges | 5.6600 | 0.0376 | 4.2700 |
| Distribution on income shares | 0.0000 | 0.0000 | 0.0000 |
| Closing NAV per share | 133.8076 | 128.1476 | 128.1100 |
| Retained distribution on acc shares | 0.2928 | 0.5984 | 0.6583 |

* After direct transaction costs of

| | | | |
|--|--------|--------|--------|
| | 0.0159 | 0.0565 | 0.0061 |
|--|--------|--------|--------|

Performance

| | | | |
|----------------------|-------|-------|-------|
| Return after charges | 4.42% | 0.03% | 3.45% |
|----------------------|-------|-------|-------|

Other Information

| | | | |
|-----------------------------|------------|------------|------------|
| Closing net asset value (£) | 74,030,793 | 69,060,409 | 71,199,643 |
| Closing number of shares | 55,326,303 | 53,891,302 | 55,579,363 |
| OCF | 0.87% | 0.71% | 0.65% |
| Direct transaction costs | 0.01% | 0.04% | 0.00% |

Prices

| | | | |
|-----------------------------|--------|--------|--------|
| Highest share price (pence) | 134.48 | 129.35 | 128.87 |
| Lowest share price (pence) | 128.28 | 126.22 | 122.84 |

B Income share class

| Change in net assets per share | 31/07/2017 | 31/07/2016 | 31/07/2015 |
|-----------------------------------|------------|------------|------------|
| Opening net asset value per share | 126.9101 | 127.4700 | 123.8400 |
| Return before operating charges * | 6.4479 | 1.0810 | 5.6272 |
| Operating charges | -0.8400 | -1.0300 | -1.3300 |
| Return after operating charges | 5.6079 | 0.0510 | 4.2972 |
| Distribution on income shares | -0.2920 | -0.6109 | -0.6672 |
| Closing NAV per share | 132.2260 | 126.9101 | 127.4700 |

* After direct transaction costs of

| | | | |
|--|--------|--------|--------|
| | 0.0157 | 0.0564 | 0.0068 |
|--|--------|--------|--------|

Performance

| | | | |
|----------------------|-------|-------|-------|
| Return after charges | 4.42% | 0.04% | 3.47% |
|----------------------|-------|-------|-------|

Other Information

| | | | |
|-----------------------------|---------|---------|---------|
| Closing net asset value (£) | 652,953 | 582,302 | 510,495 |
| Closing number of shares | 493,816 | 458,830 | 400,505 |
| OCF | 0.87% | 0.71% | 0.65% |
| Direct transaction costs | 0.01% | 0.04% | 0.01% |

Prices

| | | | |
|-----------------------------|--------|--------|--------|
| Highest share price (pence) | 133.11 | 128.48 | 128.63 |
| Lowest share price (pence) | 127.17 | 125.40 | 124.41 |

¹ The share class was launched on 24 November 2014.

Net Asset Value per Share and Comparative Tables (continued)

Risk Warning

An investment in an open-ended investment company (OEIC) should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuations in exchange rates, which can be favourable or unfavourable.

Fund Performance

The performance of the fund is shown in the ACD's Report.

Financial statements

Statement of total return

For the year ended 31 July 2017

| | Notes | | 31.07.17 | | 31.07.16 |
|---|-------|-----------|------------------|-----------|------------------|
| Income | | £ | £ | £ | £ |
| Net capital gains/(losses) | 4 | | 3,710,829 | | 452,329 |
| Other losses | 5 | | (608,736) | | (769,477) |
| Revenue | 6 | 647,868 | | 887,244 | |
| Expenses | 7 | (525,346) | | (567,772) | |
| Finance costs: Interest | 9 | (7,308) | | (8,378) | |
| Net revenue before taxation | | 115,214 | | 311,094 | |
| Taxation | 8 | 27,903 | | (2,094) | |
| Net revenue after taxation | | | 143,117 | | 309,000 |
| Total return before distributions | | | 3,245,210 | | (8,148) |
| Finance costs: Distribution | 9 | | (160,838) | | (321,800) |
| Change in net assets attributable to shareholders from investment activities | | | 3,084,372 | | (329,948) |

Statement of change in net assets attributable to shareholders

For the year ended 31 July 2017

| | | £ | £ | £ | £ |
|--|-------------|---|-------------------|--------------|-------------------|
| Opening net assets attributable to shareholders | | | 73,968,512 | | 78,216,563 |
| Amounts receivable on issue of shares | 9,552,413 | | | 10,686,327 | |
| Amounts payable on cancellation of shares | (7,869,436) | | | (14,926,113) | |
| Dilution levy | 17,014 | | | - | |
| | | | 1,699,991 | | (4,239,786) |
| Change in net assets attributable to shareholders from investment activities | | | 3,084,372 | | (329,948) |
| Retained distribution on accumulation shares | | | 144,305 | | 321,683 |
| Closing net assets attributable to shareholders | | | 78,897,180 | | 73,968,512 |

Balance sheet

As at 31 July 2017

| | Notes | | 31.07.17 | | 31.07.16 |
|--|-------|-----------|-------------------|-----------|-------------------|
| | | £ | £ | £ | £ |
| Assets | | | | | |
| Investment assets | | | 76,778,307 | | 70,334,763 |
| Debtors | 10 | 242,928 | | 2,450,855 | |
| Bank balances | | 3,395,475 | | 1,867,041 | |
| Total other assets | | | 3,638,403 | | 4,317,896 |
| Total assets | | | 80,416,710 | | 74,652,659 |
| Liabilities | | | | | |
| Investment liabilities | | | 108,383 | | 546,896 |
| Creditors | 11 | 1,409,705 | | 135,585 | |
| Distribution payable on income shares | | 1,442 | | 1,666 | |
| Total other liabilities | | | 1,411,147 | | 137,251 |
| Net assets attributable to shareholders | | | 78,897,180 | | 73,968,512 |

Notes to the financial statements

As at 31 July 2017

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost basis in accordance with Financial Reporting Standard (FRS) 102, as modified by the revaluation of investments, and in accordance with the revised Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014.

b) Basis of valuation of investments

The investments are valued at quoted bid prices for dual priced funds and at quoted prices for single priced funds, on the last business day of the accounting period.

c) Foreign exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing middle exchange rates ruling on that date.

d) Revenue

All income allocations and distributions declared by the managers of the underlying funds up to the accounting date are included in Income, net of attributable tax credits. The net allocations which are retained in Income are included in the fund's own income allocation. Bank and other interest receivable is accrued up to the accounting date. Equalisation on distributions received is deducted from the cost of the investment and not included in the fund's income available for distribution.

e) Expenses

The ACD's periodic charge is deducted from Income. All of the other expenses are also charged against Income except for costs associated with the purchase and sale of investments which are charged against Capital.

f) Taxation

- (i) The fund is treated as a corporate shareholder with respect to its underlying holdings and its income is subject to streaming into franked and unfranked.
- (ii) Corporation tax is provided at 20% on income, other than the franked portion of distributions from collective investment schemes, after deduction of expenses.
- (iii) The charge for deferred tax is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

2 Distribution policy

Income arising from investments accumulates during each accounting period. Surplus income is allocated to shareholders in accordance with the COLL regulations. In order to conduct a controlled dividend flow to shareholders, interim distributions will be made at the ACD's discretion, up to a maximum of the distributable income available for the period. All remaining income is distributed in accordance with the COLL regulations.

3 Risk management policies

In pursuing the investment objective, a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors, that arise directly from operations. Derivatives, such as futures or forward foreign exchange contracts, may be utilised for efficient portfolio management purposes.

Political and economic events in the major economies of the world, such as the United States, Japan and the European Union, will influence stock and securities markets worldwide.

The main risks from the fund's holding of financial instruments with the ACD's policy for managing these risks are set out below:

- i. **Credit Risk** – The fund may find that collective investment schemes in which it invests fail to settle their debts or deliver the investments purchased on a timely basis.
- ii. **Interest Rate Risk** – Debt securities may be held by the underlying investments of the fund. The Interest Rate Risk of these securities is managed by the relevant manager.
- iii. **Foreign Currency Risk** – Although the net assets of the fund are denominated in sterling, a proportion of the fund's investments in collective investment schemes have currency exposure with the effect that the balance sheet and total return can be affected by currency movements.
- iv. **Liquidity Risk** – The main liability of the fund is the cancellation of any shares that investors want to sell. Securities may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

Smaller companies by their nature, tend to have relatively modest traded share capital, and the market in such shares can, at times, prove illiquid. Shifts in investor sentiment, or the announcement of new price-sensitive information, can provoke significant movement in share prices, and make dealing in any quantity difficult.

The equity markets of emerging countries tend to be more volatile than the more developed markets of the world. Standards of disclosure and accounting regimes may not always fully comply with international criteria, and can make it difficult to establish accurate estimates of fundamental value. The dearth of accurate and meaningful information and insufficiencies in its distribution, can leave emerging markets prone to sudden and unpredictable changes in sentiment. The resultant investment flows can trigger significant volatility in these relatively small and illiquid markets. At the same time, this lack of liquidity, together with the low dealing volumes, can restrict the ACD's ability to execute substantial deals.

- v. **Market Price Risk** – Market Price Risk is the risk that the value of the fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rates or foreign currency movement. The Market Price Risk arises primarily from uncertainty about the future prices of financial instruments that the fund holds.

Market Price Risk represents the potential loss the fund may suffer through holding market positions in the face of price movements. This risk is generally regarded as consisting of two elements – Stock Specific Risk and Market Risk. The fund's exposure to Stock Specific Risk is reduced for equities and bonds through the holding of a diversified portfolio in accordance with the investment and borrowing powers set out in the Instrument of Incorporation.

- vi. **Counterparty Risk** – Transactions in securities entered into by the fund give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction.
- vii. **Fair Value of Financial Assets and Financial Liabilities** – There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

4 Net capital gains

| | 31.07.17 £ | 31.07.16 £ |
|--|------------------|----------------|
| Proceeds from sales on investments during the year | 46,530,486 | 41,880,413 |
| Original cost of investments sold during the year | (42,639,252) | (39,546,269) |
| Gains realised on investments sold during the year | 3,891,234 | 2,334,144 |
| Net appreciation thereon already recognised in prior periods | (3,061,982) | (1,837,418) |
| Net realised appreciation for the year | 829,252 | 496,726 |
| Net unrealised appreciation for the year | 2,859,524 | 989,792 |
| Net gains on non-derivative securities | 3,688,776 | 1,486,518 |
| Net gains/(losses) on derivatives | 22,053 | (1,034,189) |
| Net capital gains on investments | 3,710,829 | 452,329 |

5 Other losses

| | | |
|-------------------------|------------------|------------------|
| Foreign currency losses | (608,736) | (769,477) |
| Other losses | (608,736) | (769,477) |

6 Purchases, sales and transaction costs

Closed Ended Securities

| | | |
|--|-------------------|------------------|
| Purchases excluding transaction costs | 14,995,011 | 7,846,906 |
| Commissions: 0.10% [0.11%] | 15,609 | 8,620 |
| Stamp duty and other charges: 0.15% [0.09%] | 21,979 | 6,885 |
| Trustee transaction charges: 0.01% [0.01%] | 2,231 | 832 |
| Purchases including transaction costs | 15,034,830 | 7,863,243 |

| | | |
|--|-------------------|-------------------|
| Sales excluding transaction costs | 21,667,174 | 18,155,766 |
| Commissions: 0.04% [0.08%] | (9,106) | (14,261) |
| Trustee transaction charges: 0.01% [0.01%] | (2,399) | (1,774) |
| Sales including transaction costs | 21,655,669 | 18,139,731 |

Debt Securities

| | | |
|--|------------------|------------------|
| Purchases excluding transaction costs | 4,125,942 | 2,163,856 |
| Commissions: 0.00% [0.00%] | - | 69 |
| Trustee transaction charges: 0.00% [0.01%] | 78 | 255 |
| Purchases including transaction costs | 4,126,020 | 2,164,180 |

| | | |
|--|------------------|------------------|
| Sales excluding transaction costs | 1,333,748 | 6,561,255 |
| Commissions: 0.01% [0.00%] | (186) | (78) |
| Trustee transaction charges: 0.00% [0.01%] | (56) | (488) |
| Sales including transaction costs | 1,333,506 | 6,560,689 |

Derivatives

| | | |
|--|-------------------|-------------------|
| Purchases excluding transaction costs | 29,879,493 | 26,951,843 |
| Commissions: 0.00% [0.00%] | 51 | 647 |
| Trustee transaction charges: 0.00% [0.00%] | 714 | 876 |
| Purchases including transaction costs | 29,880,258 | 26,953,366 |

| | | |
|--|-------------------|-------------------|
| Sales excluding transaction costs | 23,551,917 | 17,177,652 |
| Commissions: 0.00% [0.00%] | (915) | (283) |
| Trustee transaction charges: 0.00% [0.00%] | (368) | (399) |
| Sales including transaction costs | 23,550,634 | 17,176,970 |

6 Purchases, sales and transaction costs

31.07.17 31.07.16
£ £

Trustee transaction charges have been deducted in determining net capital

Transaction charges are displayed as percentage of purchase/sale

Total stamp duty and other charges: 0.03% [0.01%]

21,979

6,885

Total commission: 0.03% [0.03%]

25,867

23,958

Total trustee transaction charges: 0.01% [0.01%]

5,846

4,624

Total charges displayed as percentage of average net asset value

Average portfolio dealing spread : 1.06% [1.46%]

7 Revenue

UK franked dividends

91,550

63,255

UK unfranked dividends

-

7,875

Gross bond interest

211,113

341,830

Overseas franked income

33,654

41,588

Overseas gross unfranked income

304,423

423,456

Bank interest

7,128

9,240

Total revenue

647,868

887,244

8 Expenses

Payable to the ACD, associates of the ACD and agents of either:

ACD's periodic charge

377,195

375,437

Payable to the Depositary associates of the Depositary and agents of either:

Depositary's fee

42,802

41,873

Safe custody

10,043

30,644

52,845

72,517

Other expenses:

FCA fee

165

68

Audit fee

7,570

8,943

Registration fees

26,360

12,781

Sundry charges

6,615

(239)

Printing costs

1,110

(5,792)

Price publication fee

-

28,899

Transfer agency fee

23,304

70,974

Price data provision

29,127

-

Distribution costs

1,055

4,184

Total expenses

525,346

567,772

9 Taxation

a) Analysis of the tax charge for the year:

UK Corporation tax

Irrecoverable income tax

Current tax charge (note 9b)

Total tax charge

31.07.17

£

31.07.16

£

-

(27,903)

(27,903)

(27,903)

-

2,094

2,094

2,094

b) Factors affecting the tax charge for the year:

Net income before taxation

Corporation tax at 20%

Effects of:

UK dividends

Movement in income accruals

Utilisation of excess management expenses

Corporation tax charge

Irrecoverable income tax

Current tax charge for the year (note 9a)

115,214

23,043

(25,041)

1,260

738

-

(27,903)

(27,903)

311,094

62,219

(20,969)

(318)

(40,932)

-

2,094

2,094

c) Provision for deferred taxation

No provision for deferred taxation has been made in the current or prior accounting year.

d) Factors that may affect future tax changes

The fund has unutilised management expenses of £2,715,535 (2016: £2,711,845). The fund does not expect to be able to utilise this in the foreseeable future.

10 Finance costs

Distributions

Interim

Final

Amounts deducted on cancellation of shares

Amounts received on issue of shares

Finance costs: Distributions

Finance costs: Interest

Total finance costs

31.07.17

£

31.07.16

£

-

163,437

163,437

5,128

(7,727)

160,838

7,308

168,146

125,694

198,800

324,494

1,600

(4,294)

321,800

8,378

330,178

Represented by:

Net revenue after taxation

Expenses charged to capital

Income shortfall

Balance of revenue brought forward

Balance of revenue carried forward

Finance costs: Distributions

143,117

17,691

46

(14)

160,838

309,000

12,832

14

(46)

321,800

11 Debtors

| | 31.07.17 | 31.07.16 |
|---|----------------|------------------|
| | £ | £ |
| Amounts receivable for issue of shares | 111,355 | 81,527 |
| Amounts receivable for investment securities sold | - | 2,278,794 |
| <i>Accrued income:</i> | | |
| UK franked dividends | 6,376 | 11,250 |
| UK unfranked dividends | - | 6,300 |
| Bond interest | 121,733 | 46,895 |
| Gross bond interest | - | 842 |
| Overseas franked dividends | - | 3,147 |
| Overseas gross unfranked income | - | 22,095 |
| | 128,109 | 90,529 |
| Prepayments | 1 | 5 |
| Other receivables | - | - |
| Taxation recoverable | 3,463 | - |
| Total debtors | 242,928 | 2,450,855 |

12 Creditors

| | | |
|--|------------------|----------------|
| Amounts payable for cancellation of shares | 28,446 | 32,263 |
| Amounts payable for investment securities purchased | 1,329,701 | - |
| <i>Accrued expenses:</i> | | |
| <i>Amounts payable to the ACD, associates and agents:</i> | | |
| ACD's periodic charge | 30,638 | 31,182 |
| <i>Amounts payable to the Depositary, associates and agents:</i> | | |
| Depositary's fees | 3,471 | 3,528 |
| Transaction charges | 220 | 340 |
| Safe custody fee | 1,377 | 11,443 |
| | 5,068 | 15,311 |
| Other expenses | 15,852 | 45,287 |
| <i>Taxation payable:</i> | | |
| Corporation tax | - | 11,542 |
| Total creditors | 1,409,705 | 135,585 |

13 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date [31.07.16: £Nil].

14 Related party transactions

Margetts Fund Management Ltd as ACD, is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issues, and paid on cancellations are disclosed in the statement of change in net assets attributable to shareholders and note 10.

Amounts paid to Margetts Fund Management Ltd in respect of management services are disclosed in note 8 and amounts due at the end of the year in note 12.

All other amounts paid to, or received from, the related parties, together with the outstanding balances are disclosed in the financial statements.

15 Shareholders' funds

| | A Acc | A Inc | B Acc | B Inc |
|--------------------------|------------------|--------------|-------------------|----------------|
| Opening number of shares | 3,480,860 | - | 53,891,302 | 458,830 |
| Shares issued | 11,855 | - | 11,526,982 | 70,806 |
| Shares converted | (32,139) | - | 31,138 | - |
| Shares redeemed | (192,529) | - | (10,123,119) | (35,820) |
| Closing number of shares | <u>3,268,047</u> | <u>-</u> | <u>55,326,303</u> | <u>493,816</u> |

16 Remuneration

In accordance with the requirements of FUND 3.3.5(5) the total amount of remuneration paid by the manager to its staff for the financial year ended 30 September 2016 is:

| | £ |
|-----------------------|-------------------------|
| Fixed Remuneration | 1,351,756 |
| Variable Remuneration | 1,573,101 |
| Total Remuneration | <u>2,924,857</u> |

| | |
|--------------------------------------|-----------|
| Full Time Equivalent number of staff | 38 |
|--------------------------------------|-----------|

Analysis of senior management

| | |
|---|-------------------------|
| Senior management | 1,813,059 |
| Staff whose actions may have a material impact on the funds | - |
| Other | - |
| | <u>1,813,059</u> |

The remuneration for senior management has been calculated in accordance with the Remuneration Policy and is reviewed annually. The remuneration policy and, where required by the FCA, how benefits are calculated together with details of the remuneration committee can be found on the website: www.margetts.com. A paper copy of this is available free of charge upon request by writing to the compliance officer at 1 Sovereign Court, Graham Street, Birmingham B1 3JR. No material changes were made to the Policy or irregularities reported at the last review.

17 Post balance sheet events

There were no material post balance sheet events which have a bearing on the understanding of the financial statements.

18 Risk disclosures

Debt securities may be held by the underlying investments of the fund. The Interest Rate Risk of these securities is managed by the relevant manager. The table below shows the Interest Rate Risk profile at the balance sheet date:

The floating rate financial assets and liabilities comprise bank balances, which earn or pay interest at rates linked to the UK base rate.

| | 31.07.17 £ | 31.07.16 £ |
|--|-------------------|-------------------|
| Floating rate assets (pounds sterling): | 2,711,138 | 1,343,165 |
| Floating rate assets (us dollars): | 609,075 | 213,747 |
| Floating rate assets (euro): | 181,833 | 276,796 |
| Floating rate assets (hong kong dollars): | - | 10,660 |
| Floating rate assets (australian dollars): | - | 20,526 |
| Floating rate assets (swiss francs): | - | 2,147 |
| Assets on which interest is not paid (pounds sterling): | 70,157,828 | 69,573,811 |
| Assets on which interest is not paid (us dollars): | 6,193,960 | 2,586,845 |
| Assets on which interest is not paid (euro): | 2,134,222 | 480,841 |
| Assets on which interest is paid (pounds sterling): | 8,410,421 | 5,121,462 |
| Assets on which interest is paid (us dollars): | 626,966 | 725,681 |
| Assets on which interest is paid (euro): | - | - |
| Liabilities on which interest is not paid (pounds sterling): | (1,415,651) | (684,147) |
| Liabilities on which interest is not paid (us dollars): | (7,721,129) | (4,591,118) |
| Liabilities on which interest is not paid (euro): | (2,991,483) | (1,111,904) |
| Net Assets | 78,897,180 | 73,968,512 |

| | | |
|--------------------------|-----------------------|-----------------------|
| ii. Currency risk | 31.07.17 £ | 31.07.16 £ |
| GBP | 79,863,736 | 75,354,291 |
| US Dollars | (291,128) | (1,064,845) |
| Euro | (675,428) | (354,267) |
| Hong Kong Dollars | - | 10,660 |
| Australian Dollars | - | 20,526 |
| Swiss Francs | - | 2,147 |
| Net Assets | 78,897,180 | 73,968,512 |

Fixed rate financial assets have the below weighted average yield and period for which income is fixed:

| | 31.07.17 Years | 31.07.17 % | 31.07.16 Years | 31.07.16 % |
|------------|-------------------|---------------|-------------------|---------------|
| GBP | 5.30 | 1.64 | 3.07 | 4.17 |
| US Dollars | 7.75 | 5.70 | 6.70 | 7.75 |

19 Securities Financing Transactions (SFT) and Total Return Swaps (TRS)

As at the Balance Sheet date, the amount of securities and commodities on loan as a proportion of total lendable assets is 0.00%

20 Fair Value Techniques

| Assets | 31.07.17 | 31.07.16 |
|---|-------------------|-------------------|
| | £ | £ |
| Quoted prices for identical instruments in active markets | 76,618,985 | 70,370,763 |
| Prices of recent transactions for identical instruments | - | - |
| Valuation techniques using observable data | 159,321 | - |
| Valuation techniques using non-observable data | - | - |
| | 76,778,306 | 70,370,763 |
| Liabilities | | |
| | £ | £ |
| Quoted prices for identical instruments in active markets | 51,128 | 36,000 |
| Prices of recent transactions for identical instruments | - | - |
| Valuation techniques using observable data | 57,255 | 534,987 |
| Valuation techniques using non-observable data | - | - |
| | 108,383 | 570,987 |

21 Periodic disclosure

As required by FUND 3.2.5R the ACD is required to disclose certain information periodically in relation to the Fund which is shown below.

At the end of the reporting period the percentage of the Fund's assets subject to special arrangements arising from their illiquid nature was 0% of the NAV.

There have been no new arrangements introduced for managing the liquidity of the Fund. The risk characteristics of the Fund are explained in the Prospectus.

In order to assess the sensitivity of the Fund's portfolio to the risks to which the Fund is or could be exposed, Margetts Fund Management Ltd monitors relative value at risk, commitment, gross leverage and the results of stress tests.

The ACD has set limits considered appropriate to the risk profile of the fund. Any breaches of these limits are investigated by the Margetts risk committee and appropriate action taken if necessary.

During the reporting period there have been no changes to the maximum level of leverage that the Fund can employ or any right of reuse of collateral or any guarantee granted under leveraging arrangements.

At the end of the reporting period the total amount of leverage, expressed as a ratio, calculated using the commitment approach was 1:0.97 and using the gross method was 1:0.97.

Leverage is limited to overdraft use and the gross exposure from EPM techniques. Although the ACD may use derivatives for EPM, no collateral arrangements are currently in place and no asset re-use arrangements are in place.

The Fund does not currently, and does not envisage in the future, intentionally employing leverage as a part of its investment strategy. However it does invest in some instruments, such as convertible bonds and structured products, which embed derivatives and it utilises derivative hedging instruments. Some of these hedging instruments do not meet all the commitment leverage methodology requirements for them to be offset against the positions they are hedging. The majority of derivative hedging instruments are held to offset interest rate, currency and general equity exposures, reducing the risks the Fund is exposed to. In addition, the Fund may experience a small amount of leverage when using its permitted 10% of net asset value short term borrowing facility used in the course of the routine settlement of positions. Consequently, the maximum leverage of the Fund calculated using the 'commitment leverage' methodology and "gross leverage" methodology has therefore been set at 1.5:1 and 2:1 respectively.

Distribution Table

For the year ended 31 July 2017 - in pence per share

Interim

Group 1 – shares purchased prior to 01 August 2016

Group 2 – shares purchased on or after 01 August 2016

B Accumulation shares

| Units | Net Income | Equalisation | Allocated 31.03.17 | Allocated 31.03.16 |
|---------|------------|--------------|-----------------------|-----------------------|
| Group 1 | - | - | - | 0.2326 |
| Group 2 | - | - | - | 0.2326 |

B Income shares

| Units | Net Income | Equalisation | Paid 31.03.17 | Paid 31.03.16 |
|---------|------------|--------------|---------------|---------------|
| Group 1 | - | - | - | 0.2478 |
| Group 2 | - | - | - | 0.2478 |

Final

Group 1 – shares purchased prior to 01 February 2016

Group 2 – shares purchased on or after 01 February 2016

B Accumulation shares

| Units | Net Income | Equalisation | Allocating 30.09.17 | Allocated 30.09.16 |
|---------|------------|--------------|------------------------|-----------------------|
| Group 1 | 0.2928 | - | 0.2928 | 0.3658 |
| Group 2 | 0.1992 | 0.0936 | 0.2928 | 0.3658 |

B Income shares

| Units | Net Income | Equalisation | Payable 30.09.17 | Paid 30.09.16 |
|---------|------------|--------------|------------------|---------------|
| Group 1 | 0.2920 | - | 0.2920 | 0.3631 |
| Group 2 | 0.0904 | 0.2016 | 0.2920 | 0.3631 |

Equalisation only applies to shares purchased during the distribution period (group 2 shares). It represents the accrued income included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the shares for capital gains tax purposes.

General Information

Valuation Point

The Valuation Point of the fund is at 12.00pm each business day. Valuations may be made at other times with the Depositary's approval.

Buying and Selling of Shares

The ACD will accept orders to buy or sell shares on normal business days between 9.00am and 5.00pm and transactions will be effected at prices determined by the following valuation. Instructions to buy or sell shares may be made either in writing to: Margetts Fund Management Ltd, PO Box 17067, Birmingham B2 2HL or by telephone on 0345 607 6808. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Prices

The most recent mid prices of shares are published on the Margetts website at www.margetts.com.

Other Information

The Instrument of Incorporation, Prospectus, Key Investor Information Document, Supplementary Information Document and the latest annual and interim reports may be inspected at the offices of the ACD, with a copy available, free of charge, on written request.

The register of shareholders can be inspected by shareholders during normal business hours at the offices of the Administrator.

The Head Office of the Company is at 1 Sovereign Court, Graham Street, Birmingham B1 3JR and is also the address of the place in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.

The base currency of the Company is pounds (£) sterling.

The maximum share capital of the Company is currently £100,000,000,000 and the minimum is £1000. Shares in the Company have no par value and therefore the share capital of the Company at all times equals the Company's current net asset value.

Shareholders who have any complaints about the operation of the fund should contact the ACD or the Depositary in the first instance. In the event that a shareholder finds the response unsatisfactory, they may make their complaint direct to the Financial Ombudsman Service at Exchange Tower, London E14 9SR or email to: complaint.info@financial-ombudsman.org.uk or by telephone to 0800 023 4567.

Data Protection Act

Shareholders' names will be added to a mailing list which may be used by the ACD, its associates or third parties, to inform investors of other products by sending details of such products. Shareholders who do not want to receive such details should write to the ACD, requesting their removal from any such mailing list.