



## Minutes of the Adviser Business Solutions Investment Committee Meeting

**Location:** Premier Offices, Guildford

**Date:** 28<sup>th</sup> July 2009

**Attending:** Jon Foster, Richard Anderson of ABS, Mike Hammond of Premier (acting as ACD), Paul Branigan of Premier (Defensive Fund Manager), John Huselbee & Nick Stanhope of North (Universal Fund Manager), Laurence Boyle of Williams De Broe (Enterprise Fund Manager), Frank Blackmore of Headley Financial Services.

**Apologies** David Stamp & Michael Reidy of ABS

The meeting was chaired by Jon Foster of ABS and minutes were taken by Richard Anderson

This is the fourth meeting of the Investment Committee with the main purpose to report on progress and assess the funds using the new quarterly review template and questionnaires. These templates and questionnaires can be found on the Sentinel Fund website.

Each of the fund managers, members of the Investment Committee and the Authorised Corporate Director had been provided with a Terms of Reference, fund manager questionnaire and quarterly review template.

### **Sentinel Defensive Comments**

- ✚ Strong positive returns for FOHF & Zero holdings
- ✚ Structured Products up by 8+%
- ✚ Added diversity in structured products by purchasing Deutsche Bank backed products. This reduces the exposure to Citibank backed products.
- ✚ Defensive fund now only down 6-7% Since launch should be back to launch price within 6-9 months if the market continues to show modest growth
- ✚ For the REO Zero holding we could get full return next year due to the positive momentum in regards to the projects they are involved with but this still seems somewhat unlikely. The stock is still well down so the manager will continue to hold.
- ✚ In 2010 will start to see kick outs from some of the structured product holdings

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- ✚ Cash received from the Alternative's allocation will probably go back in to alternative asset holdings but is dependant on price . Potential downside if discount do narrow
- ✚ Start to diversify Zero exposure by purchasing more synthetic Zeros, move away from the plain vanilla style holdings
- ✚ Looking at extending into markets other than the FTSE to enhance diversification, manager will consider structured products linked to other indices.
- ✚ Value creeping into 100% upside products start moving away from autocalls
- ✚ Auto calls was where the value was last year, other products more suitable in current climate

### **Sentinel Universal Comments**

- ✚ Rally between March & June showed differing opinions between a bull and bear market
- ✚ Reflection showed equity valued as in recession
- ✚ Absolute Insight fund – market neutral fund cancels beta and focus on alpha. Very low volatility and steady performance. Investing in managers who have more investment instruments at their disposal.
- ✚ Reasoning for purchasing Premier Property over different days is based on the dilution levy being applied
- ✚ Bond cycle starting – Corporate bond through to High Yield Bonds through to Equities.
- ✚ Happy to purchase Gilts direct. Reluctant to buy Corporate Bonds direct due to their complexity. Assign this decision to a proven specialised manger.
- ✚ Corporate Bonds have done well over the first half of this year but manager is now moving to overseas and higher yield bonds
- ✚ Asia & Emerging Markets current favoured equity market areas.
- ✚ Statistics showed that when the markets fell the fund out performed. When the markets rose the fund under performed. Out performance on the downside was greater than the under performance on the upside.
- ✚ In June removed the cyclical exposure to Latin America & UK Mid Cap
- ✚ Starting to move away from passive investing to a more active approach at a steady pace, not too fast.
- ✚ Need to add more risk to the fund hence the uptake of more active investments. Purchasing these can be more difficult than IShares as the dealing times are less frequent.
- ✚ Monetary tightening will start in China initially.

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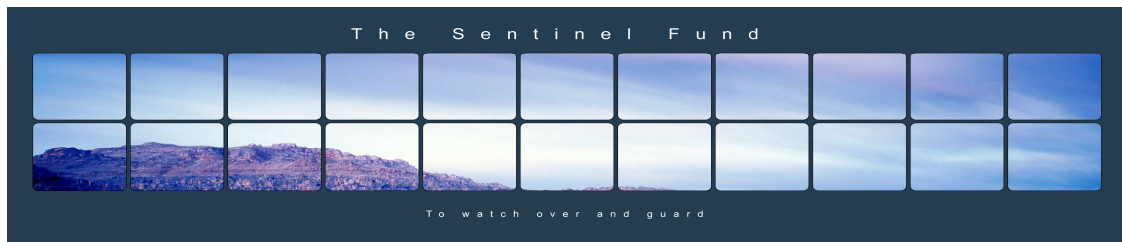


- ✚ The market turnaround has been extraordinary, need to go back 10 years to see a similar 3 month return.
- ✚ High exposure to cash combined with high Asian exposure has given the fund good protection and the opportunity to achieve gains when the market is rising.
- ✚ Some managers have held on to the poor stocks & have waited for the turn around
- ✚ Now is the time to add risk to the portfolio.
- ✚ Confidence in the banks has now normalised back to where it should be.
- ✚ There is a belief that a great depression has been avoided
- ✚ Some evidence that the housing market is stabilising in US which is where it all started.
- ✚ Short term markets are over bought and only takes 2 days to miss potential opportunities.
- ✚ Asian Markets bottomed out in November, Western Markets in March
- ✚ Consumer, corporate & government debt will push through to inflation at some point

### **Sentinel Enterprise Comments**

- ✚ July have proved to be a great month for the markets. FTSE set new record of 12 consecutive days where the index rose.
- ✚ Fund is currently fully invested and very satisfied with the current allocation
- ✚ As discussed previously remaining strong on themes with GEM driving the global economy
- ✚ Growth figures reported by China have surprised some people and they have positioned themselves accordingly.
- ✚ Commodities remain strong.
- ✚ Over the recent periods the markets have been about which Asset class to invest in rather than stocks which is should be the primary focus.
- ✚ The VIX index which measures volatility has dropped to within expected levels. At the time of this meeting the level was actually lower than the pre Lehmen Brothers collapse. Shows that markets are now becoming more stable.
- ✚ Leave structured products in fund to pay out in full.
- ✚ Investment decisions can also be based on currency risk as was highlighted with the previous sales in the Japanese investments
- ✚ No more than 3 funds that could be sold over the next year as the fund has now built up its shape,
- ✚ Purchased funds that had the flexibility to not hold bank shares
- ✚ During the time when the economy was so uncertain the approach was to invest in less risky assets

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- ✚ Cartesian 130/30 fund sold, not consistent with the long term view of the portfolio. This combined with the general economic recovery and the poor results from the recent correction

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