



**Sentinel OEIC**

**Fund Manager Quarterly Questionnaire**

Period 4

1<sup>st</sup> February 2009 to the 30<sup>th</sup> April 2009

## **FUND DETAILS**

Fund: **Sentinel Universal Portfolio**

Managing Group: **North Investment Partners**

Manager: **John Husselbee/ Nick Stanhope**

## **PERSONNEL**

Please detail any significant changes to the personnel involved in the management of the fund and the analysis of underlying stocks/funds. In particular, please detail the length and type of experience/qualification for any new team members.

There have been no changes to the personnel over the period.

Please give an approximation of total funds under management by the team managing the portfolio.

Total funds under management represent approx. £275m.

## **INVESTMENT POLICY**

Has there been any change to your investment research systems or your style of management?

There have been no significant changes to our investment research systems or style of management in the period under review.

What changes have you made to the Asset Allocation of the Fund?

The main change to asset allocation over the period has been the increase weighting to equities This has been achieved through the purchase of iShares FT100 Index and a new purchase of Schroder Income Maximiser. Late in the period we increased the cyclical exposure by purchasing further iShares investing in Latin America and UK's mid cap index.

What is the rationale for these changes and what impact do you expect this to have on performance?

After the year end equity rally, investors became extremely pessimistic with the financial crisis and feared a depression rather than a severe recession. This led to further falls in world stockmarkets to new lows for this bear market. Using the 50day moving average as our main gauge we felt that markets had become extremely oversold. This proved to be the case and the markets bounced off these lower levels. The short term impact on performance was positive but the Fund is now lagging in recent weeks as this rally becomes persistent and consistent.

What has been your portfolio turnover level and is this higher or lower than you would normally expect?

The turnover of the portfolio is in line with our expectations given the strong cash flow of new subscriptions and the volatile market conditions.

Are you confident that you have negotiated the best possible terms and have all discounts and rebates against initial charges and AMCs on underlying funds been negotiated by you and notified to Premier so that they can ensure these are received by the fund? Are you actively aiming to reduce the TER of the fund?

We confirm that the Portfolio is benefiting from the best terms.

Please supply 1 or 2 examples of good investments decisions you have made at stock level which have contributed to your performance.

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Please also provide an example of a poor investment and how you have dealt with this to minimise the loss to the fund.

We have used a "buy & sell" strategy since launch, using iShares to gain market exposure and selling on significant rallies. This had been a profitable trade but with equities continuing to rise we maybe witnessing the beginning of a new bull market. In this case a "buy & hold" will be a more fruitful approach.

How have you managed the cash content in the portfolio with a view to maximising the return to the fund?

In these volatile markets we have maintained fairly high weightings to cash in order to preserve capital. The use of ETFs allow us a flexible approach in increasing and reducing our market exposure in a timely fashion.

Are you happy with your stock selection across each sector?

The majority of equity exposure continue to be accessed via ETFs so that we can be in control of the beta. The use of ETFs also us to build or reduce market exposure throughout the trading day unlike open ended funds which have one dealing/ valuation point at midday. As confidence slowly returns to the financial markets we will be looking to invest with active managers, this strategy has commenced with the purchase of Schroder Income Maximiser.

If, not what changes are you looking to make over the next quarter and why?

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Are there any particular factors which you feel have affected the performance or volatility of the fund?

*In the last report we wrote "financial markets remain very volatile as economic data and corporate earnings reports continue to look bleak. Policy makers are providing the markets with plenty of liquidity via their monetary and fiscal stimulus. Their actions are attempting to bring a swift return to investor confidence. Depression and deflation are the major fears to investors buying risk assets which are cheap in historical terms. However markets have a tendency to recover before the economy and optimism is beginning to return."*

This optimism has returned for equity investors and we have witnessed a very sharp rebound from very oversold positions. We participated in the early part of the rally but with hindsight locked into profits too soon. On previous rallies, it had been right to sell as others shorted a rising market. We, like many others, fear chasing returns but have the cushion of some healthy outperformance to allow us to take time rather than chase.