

The Sentinel Fund



To watch over and guard

**Sentinel OEIC**

**Fund Manager Quarterly Questionnaire**

**Period 8**

1<sup>st</sup> January 2010 to 31<sup>st</sup> March 2010

## FUND DETAILS

Fund: **Sentinel 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. £390m.

## 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?

We have added the JPM Income Opportunity fund which is a bond fund with an absolute return mandate. This fund uses all the tools available to it under the UCITS III framework. The investment universe is global and includes all asset classes from Investment grade, to high yield and sovereign and local emerging market debt. The fund primarily looks at the investment universe from a relative value point of view and is able to take short positions via Credit Default Swaps (CDS).

Broadly speaking we have maintained our equity exposure to developed and developing markets, whilst receiving strong inflows of new creations, by adding to Asia, US, Europe and the UK.

Cash has increased as a percentage of assets due to new creations.

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

We believe due to the massive debt that has been built up by developed economies, particularly the US and the UK, that yields on developed sovereign debt will rise from their current low levels eroding the attractiveness of investment grade credit with the potential of creating a capital loss. Therefore by investing in funds with an absolute return profile that can access everything from investment grade, high yield, emerging market debt, both sovereign and local, we are able to generate a positive return whilst mitigating the risk of capital loss within the fixed income element of the portfolio.

Although the economic fundamentals are gently improving, developed equity markets, having bounced over 60% from the lows of March 2009, look ahead of themselves. Equity markets in Asia are taking a pause for breath whilst markets anticipate interest rate rises to reign in the strong growth and control inflation. Therefore we have broadly maintained our equity weighting, waiting for a better opportunity to deploy cash into the markets.

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.

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.

During 2010 Q1 our favoured Asian fund, First State Asia Pacific Leaders, which is conservatively managed with one eye to capital preservation has kept up in performance terms returning 8.19% versus the IMA Asia Pacific Excluding Japan returning 6.29%.

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 built up a higher cash weighting of around 9% as we believed we would get a better opportunity to put it to work in a market that has been punishing bad news greater than it has been rewarding good news. On balance the global economy has been improving and we continue to look for suitable ways that we can manage our tail risk should markets experience a significant pull back, as we are mindful of events such as Greece defaulting.

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

We continue to remain patient and look for opportunities to invest our cash position at lower levels, mindful that the economic backdrop has on balance been improving. Events such as Greece provide us with comfort that these opportunities will occur.

Are you happy with your stock selection across each sector?

We continue to review and monitor funds to maximise returns for investors. We believe that there is a need to be nimble in these markets whilst the bulls and the bears fight it out, therefore we are always looking for ways to increase liquidity within the fund.

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

When and if we invest the uninvested cash, we are likely to utilise iShares for greater flexibility should we wish to return to higher cash weightings at a later date.

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

Our long term investment thesis continues to be one that favours Asia and Emerging Markets over the developed world. Over 2010 Q1 the developed markets, particularly the US, have benefitted from further evidence of economic recovery, whilst Asian markets have been held back due to concerns of over tightening to reign in growth. We continue to believe that Asia and EM are where global growth will be generated from and they do not suffer from over indebtedness. Therefore we are maintaining our over weight stance to these areas although in the short term they may suffer from investor caution.