

**Sentinel OEIC**

**Fund Manager Quarterly Questionnaire**

**Period 9**

1<sup>st</sup> April 2010 to 30<sup>th</sup> June2010

## 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. £388m.

## 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?

Early April

- Open partial portfolio hedge – APCIMS Balanced Index
- Switch oil/ gold commodity for commodity shares
- Increased UK and Japanese equities from cash weighting

Late April

- Increase UK equities from weighting

Late May

- Close partial portfolio hedge – APCIMS Balanced Index

Early June

- Increase Private Equity via new issue

Mid June

- Structured product closes above barrier and pays out
- New issue results in Absolute Return Fund switch

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

We stated at the beginning of the year that 2010 would be a “risk on, risk off” market. Although this has proved to be the case, the magnitude of the markets’ moves have

been more severe than we had expected as investors' swing from reflationary hopes to deflationary fears. The year started well despite the growing fear of sovereign debt default and China draining liquidity, investors seemed happy to climb a wall of worry believing that policy makers had the power and the endless resources to solve any potential crisis. We felt that after a strong first quarter rally, there was an opportunity to open a cheap partial hedge on the portfolio. At the same time, with the hedge in place, we felt it prudent to top up UK and Japanese equities to capture any further potential upside. Oil and Gold commodities were switched to shares which had lagged the physical commodity for over six months.

It was Goldman Sachs Sub Prime SEC fraud charge that changed investor sentiment before Greek's debt crisis moved centre stage. These events coupled with the "flash crash" on Wall Street in early May caused investors to take cover in safe assets including bonds and US dollar. With sufficient evidence that the Euro debt crisis had been contained short term as a liquidity event, we closed our partial hedge at a healthy profit. At the end of the period under review the portfolio is well balanced between risk assets which excel in a refation environment and defensive assets which can protect capital in a deflationary spell.

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.

The best investment decision over the quarter has been to open and then close at a profit the portfolio hedge based upon APCIMS Balanced Index.

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 been surprised by the returns on Gilts in the quarter and in the year to date. The UK's national debt is on a par with many countries within the Eurozone, however Gilt yields fell over the quarter. Spanish government bond yields rose over the same period whereas the UK fell despite a similar fiscal environment. Investors bought Gilt and US Treasuries for relatively safety as these economies have a larger range of tools to manage their balance sheets i.e. quantitative easing. Although the portfolio's benchmark has a large weighting in Gilts we are not tempted to reduce our significant underweight position as we still believe there is upward pressure on Gilt yields long term.

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

As the equity market continues to move from overbought to oversold positions, we will seek to increase risk assets. It is our intention to hedge the portfolio again should we see a return of investor euphoria.

Are you happy with your fund selection across each sector?

We continue to review and monitor funds to maximise returns for investors.

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

There are no plans to make significant fund changes as we write.

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

If you want to worry in these markets, then there is plenty to worry about in these markets. We believe market volatility is set to continue for the rest of the year as the battle between reflation and deflation plays out. As such we have positioned the portfolio in a bar bell between risk and defensive assets. We are not opposed to tilting the portfolio to risk assets but will look to do so with appropriate hedging in place.