

The Sentinel Fund



To watch over and guard

**Sentinel Universal OEIC**

**Fund Manager Quarterly Questionnaire**

Period 11

1<sup>st</sup> October to the 31<sup>st</sup> December 2010

## FUND DETAILS

Fund: **Sentinel Universal Portfolio**

Managing Group: **North Investment Partners**

Manager: **John Husselbee/ Nick Stanhope**

## PERSONNEL

1. 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.

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

Total funds under management represent approx. £446m as at 31<sup>st</sup> December 2010.

## INVESTMENT POLICY

3. 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.

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

Early November

- Reduce absolute return assets
- Increase risk assets – UK equity income, global consumer equity & commodities

Mid November

- Reduce Asian equities – fund manager change
- Increase property via new issue

Early December

- Sold Goldman Sachs currency trade
- Reduce absolute return assets
- Increase risk assets – Asian equity, GEM and Europe ex UK equity

Mid December

- Increase UK equity income from ETF/ cash
- Increase absolute return assets – new fund

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

The markets have been anticipating further US Quantitative Easing since Fed Chairman Ben Bernanke's speech in late August. As a result, risk assets including equities and commodities have rallied strongly over the period. Bernanke's move supported by US Administration was a clear indication that they too feared a double dip with the US falling back into a recession. The announcement of the second round of QE was announced in early November around the same time as the uneventful US mid term elections.

Our strategy for Sentinel Universal over the past two years has been to buy on weakness, we are not willing to chase higher prices. However, with the Fed's confirmation of further QE, we felt that risk assets would continue to rally as they had done so in the previous period of QE. As such we decided to reduce absolute return assets and cash to invest in UK equity income, global equities and commodities.

We had another opportunity to continue with our "buy on weakness" strategy in early December following the fears of default in Ireland. The expected bailout along with terms and conditions was agreed by all parties but not before markets sold off quite strongly. The EU/ Euro countries seem to be getting more nimble with dealing with bailouts but a more permanent longer term solution does not seem to be forthcoming. We sold absolute return assets and took profits from the currency trade to buy our favoured economic growth markets of Asia and Emerging Markets. We also increased European equities where valuations have fallen due to Sovereign default risk.

6. 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.

7. 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.

8. Please list any funds that where the underlying TER of the fund NET of any rebate is greater than 1.5%. (If yes please complete the additional TER slide in the IC quarterly presentation)

The holding of White Tiger Asia was sold over the period under review.

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

We have maintained an underweight position in fixed interest, government bonds in particular. We were surprised by the performance of Gilts in the middle of the year as prices rallied despite the UK's growing deficit and above target inflation. We believe that multi year bull market in bonds is nearing an end and that yields will be higher in the medium and longer term. The Portfolio benefitted from this strategy in the period under review.

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

Over the period we sold White Tiger Asia, which had a fund manager change and needed to be sold after reviewing the new management team. In addition, Gartmore announced changes to senior management following the surprise departure/retirement of their star fund manager, Roger Guy. With Gartmore starting to haemorrhage assets, we decided to sell the Portfolio's holding in Gartmore UK Absolute Return. This was not due to the investment skill of the fund manager but a reflection of the difficulties in managing a fund in redemption, particularly a long/short hedge fund.

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

Our strategy continues to buy risk assets on weakness and we want the cash from subscriptions to be readily available to take advantage of continuing market volatility. The cost of hedging has decreased and we are still considering taking out an APCIMS hedge, particularly after the recent market rally.

12. Are you happy with your stock selection across each sector?

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

13. 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.

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

We have taken a bar bell approach to the investments within the fund between risk assets and defensive assets. Over the second half of the year we have been taking opportunities to tilt the portfolio to risk assets. However, whilst we see reasons for hope, there are still some reasons for caution including overheating in Emerging Market economies and commodity price inflation.