

The Sentinel Fund



To watch over and guard

Sentinel Universal OEIC

Fund Manager Quarterly Questionnaire

Period 13

31st March 2011 to the 30th June 2011

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.

Nick Roberts and Ari Towli joined on the 1st June 2011.

Nick Roberts was previously part of the multi manager team that ran approximately £500m of assets at Gartmore. Nick's industry experience stretches back over six years and began at Williams de Broë, where he subsequently became head of fund research for the group and also sat on the asset allocation committee. He holds a BA in Economics & Management from the University of Leeds, along with the Investment Management Certificate.

Ari Towli has over 15 years of experience in the fund of funds industry, accumulated at Singer & Friedlander, Quilter & Co., Rothschilds and most recently Gartmore where he spent seven years and was jointly responsible for fund selection and the management of the multi manager fund range. Whilst at Gartmore, Ari developed the risk tools that were critical to the construction and management of the multi manager funds. Ari was also heavily involved in the design of the Gartmore multi manager fund range and more recently integral in the design, development and management of the multi manager absolute return mandate. Ari has passed CFA Level 1 and also hold the Securities Institute Diploma – Compliance & Regulation and is a Securities Institute Registered Representative.

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

Total funds under management represent approx. £450m as at 30th June 2011.

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?

Mid April

- Increased Corporate Bonds

Mid May

- Reduced commodities, selling Investec Global Energy and reducing Blackrock Gold & General

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

We added to our Strategic bond positions following new monies and we believe there is still value in some of the areas that these managers are able to allocate to such as high yield.

Although we remain positive on the global economic recovery continuing, albeit it anaemically in over indebted western economies, there were a number of headwinds coming up that we felt it prudent to raise cash and it was not clear who the marginal buyer of commodities was going to be in this environment.

- Continuing concerns over the resolution of the Greek sovereign debt crisis
- US growth downgraded
- End of US Quantitative Easing June

We remain positive on equities for the remainder of 2011 and we will look to reinvest on weakness which we anticipate due to the aforementioned reasons.

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)

Investec Enhanced Natural Resources TER 1.17% excl performance fee; 3.59% incl performance fee as at 31.03.11.

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

Last year we diversified our Asian holdings out of First State Asia Pacific Leaders, which we continue to like as a core holding and into Schroder ISF Asian Total Return which has a manager who has been willing to take on more beta risk. During Q2, this fund returned just over +6% versus +2.9% for First State and +0.9% for the IMA Asia Pacific Excluding Japan sector.

Having voted in favour of a management change at International Oil & Gas Technology (formerly Quorum) the management has started to divest their investments in software which they do not consider being a core competence of the fund. The discount closed in by just under 9% over the period.

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

FRM Credit Alpha has been a disappointing investment since the market recovery as the manager has been too defensive, underperforming their peers and remaining on a significant discount to net asset value. The company announced plans to wind up the trust and return cash to shareholders. Although we knew 50% of the assets were fairly liquid, we also had indications that the rump could take in excess of 12 months to liquidate. Therefore once a couple of vulture were looking for stock, we offloaded as much as our holding as we could once the discount had closed in to about 11% as there is an opportunity cost to holding the investment through the liquidation process.

We are close to selling our holding in the Goldman Sachs Rate Range Accrual in favour of a credit absolute return fund which has demonstrated very returns versus the funds volatility and drawdowns and has the ability to profit from our view of being negative on government bonds.

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

We have maintained the cash component of the fund as cash as this is a tactical move with a view to reinvesting the monies into equities on signs of weakness.

Going forward we are looking at short dated credit funds as an alternative to holding cash for the purposes of longer term asset allocation.

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

We continue to review and monitor funds to maximise returns for investors. Since the arrival of Nick Roberts and Ari Towli, the investment team are undertaking a thorough review of all holdings across all sectors.

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

We anticipate the fund review process to generate a number of fund changes but nothing has been concluded to date.

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

The underperformance of the Portfolio over the last quarter versus benchmark is a direct result of two factors – being underweight Gilts exaggerated a timing/ valuation issue when equities rallied very sharply in the last few days in the month.

Gilts yields fell over the quarter as investors feared another recession and headed for the perceived safe haven of government debt. Having doubted the recovery, equity markets rose in the last trading days almost 5% on the back of strong US employment data, these moves were not fully reflected in the unit price of Sentinel Universal Portfolio.