

The Sentinel Fund



To watch over and guard

Sentinel OEIC

Fund Manager Quarterly Questionnaire

Period Q3 - 2011

30/06/2011 to the 30/09/2011

FUND DETAILS

Fund: [Sentinel Universal](#)

Managing Group: [North Investment Partners](#)

Manager: [John Husselbee](#)

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.

[No change.](#)

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

[Total funds under management stand at approximately £425m as at 30th September 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?

- [Cash was slightly reduced to fund an increase in fixed income.](#)
- [Overall equity exposure reduced slightly in favour of fixed income](#)
- [US equity exposure increased](#)
- [Japanese equity exposure increased](#)
- [Asia ex Japan equity exposure reduced](#)
- [Global equity exposure sold](#)

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

[In response to the increased volatility within asset markets and the uncertain outlook, overall equity exposure was lowered and the portfolio's beta was further toned down by increasing weightings in the US and Japan at the expense of Asia ex Japan and global equities. Corporate bonds spreads blew out considerably during the period, we believe the asset class to now offer significant value and hence our weighting within fixed income rose. The changes in asset allocation should help reduce the risk in the portfolio, meaning that the fund is less sensitive to both downward and upward swings in asset markets. In reality the changes at an asset allocation level are not material enough to significantly alter the likely future performance of the fund, however they should be noticeable.](#)

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

The portfolio's turnover has been higher than would normally be expected. This is for a number of reasons:

- Change in market climate – increased volatility in markets has led to changes in asset allocation.
 - Active managers – a number of passive funds have been replaced by active funds. The large swings in asset prices and clear signs of capitulation in certain areas of the market have thrown up a huge number of opportunities within both fixed income and equity markets. Active managers are far better placed to take advantage of such dislocations and hence a number have been added to the portfolio to take advantage of the recent moves.
 - Full sector review – all sectors were subject to a full review over the period which resulted in some changes at a fund level.
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?

The negotiation of investment charges remains a key chain in the investment process and the team always push for the most competitive terms possible. As our assets under management with certain providers grow, we consistently re-evaluate the terms of business agreed with those fund providers.

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)
 - Absolute Insight Credit – TER 2.21% (1.18% excluding performance fee).
 - Investec Enhanced Natural Resources – TER 3.59% (1.17% excluding performance fee).
9. Please supply 1 or 2 examples of good investments decisions you have made at stock level which have contributed to your performance.
 - Decision to reduce emerging market equity exposure through the sale of Allianz BRIC STARS in early August - subsequently the fund fell 19.7% until the end of the period as emerging market equities and currencies were hit hard by a wave of global risk aversion.
 - Increase of Japanese and US Equity weightings at the expense of global and Asian ex Japan equity. Japanese and US equities have strongly outperformed since the changes were made.

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

- Legal & General Growth Trust – the fund has struggled to keep up with both the benchmark and its peer group predominately due to poor stock selection. Following a fund manager meeting and a full review of the UK All Companies sector, the holding was sold and replaced with a higher conviction idea.

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

The cash content of the portfolio was allowed to build up during the first half of the period as volatility returned to the market. Following a rapid widening in credit spreads, some of this cash was redeployed into corporate bonds to take advantage of higher yields. Cash stood at approximately 8% at the end of the quarter, leaving some firepower to take advantage of any further price falls.

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

We believe the portfolio to be in good shape regarding fund selection. Several changes were made during the period following a full review of each sector. The most notable changes were made within UK and US equity.

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

One of the final sectors to be fully reviewed is Asia ex Japan. Whilst we are comfortable with current positioning there may be one or two adjustments over the next quarter.

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

The lack of exposure to gilts has impacted both returns and overall volatility as the asset class rallied strongly on the quarter. At current levels we continue to believe that the asset class offers no value, with prices being driven solely by fear. Within the fixed income sector our preference for corporate credit has gained further in conviction as yields have become more attractive.