



## **Minutes of the Adviser Business Solutions Investment Committee Meeting**

**Location:** Premier Offices, Guildford

**Date:** 25/10/2011

**Attending:** Dave Stamp, Mike Reidy, Jon Foster, Ben Armstrong and Richard Anderson of ABS, Paul Smith of Premier (Defensive Fund Manager), John Husselbee of North Investments (Universal Fund Manager), Nick Roberts & Rebecca Murphy of North Investments, Beccie Williams of Williams De Broe (Enterprise Fund), Mike Hammond of Premier, Frank Blackmore of Headley Financial Services and Joe Freire of JMF-FS

**Apologies:** Laurence Boyle of Williams De Broe

### **Minutes of previous Meeting**

The IC reviewed the minutes from the previous meeting

### **Review of Sentinel Enterprise Fund**

Beccie Williams (BW) discussed the Sentinel Quarterly Questionnaire, Quarterly Presentation

Jon Foster (JF) stated that the fund under performed the bench mark by 50% in arising market during Q4. This fund should out perform in a rising market. BW replied that it was a short term deviation in a very volatile market. Looking at the performance since launch the out performance in a rising market is evident but has been lost in under performing market. JF then asked what measures are being taken in these extreme markets. BW stated there has been a selection of UK Equity Income funds purchased. We don't want to change the fund to protect against the downside at the cost of out performance. The underperformance won't be as extreme to the UK Equity Income (UK EI) as it acts as a defense without taking away any of the potential to outperform. Gold shares will also provide some downside protection.

Frank Blackmore (FB) asked about UK EI, how was the UK EI purchased as there are no sales listed. BW stated that they let the cash build up over a period of time. The dividends from these UK EI funds will add value to the total return. RA asked how long they allowed the cash to build up as Laurence likes to be fully invested. BW stated that it was 3-4months to allow for a more flexible investment approach.

David Stamp (DS) asked if they had lost confidence in their strategy. BW replied no, still main focus is on commodities, China and Far East. UK EI produces further



diversification and will surpass returns given by fixed interest. DS on the upside what would you shave off, what would you sell. BW stated don't generally top slice holdings and would let it run as the focus is on mid to long term themes, focus on Global Emerging Markets, China also where personal wealth continues to increase. Could top slice the fund but not at the moment, if a new theme then possibly yes.

FB stated given that the fund has 50% in UK and US some clients could question this approach. BW replied saying that UK and US funds have GEM exposure, the companies are more global. FB asked what about Europe in that case then. BW replied some Euros are global but some are Euro focused. The Euro recovery will lag behind the UK, it is better to be in US and UK. May possibly consider doing a tactical switch into the Euro in 2 years.

RA asked if there was a strategy for getting out of the Martin Currie North American fund as this has been on the watch list. BW stated the fund has suffered a few issues and this has been down to stock selection, an example would be technology and telecoms sector where he held Hewlett Packard which he got wrong. They have employed a risk specialist to aid in fully assessing the interaction of stocks, oil being one area of focus. Laurence Boyle (LB) was encouraged by a conversation with the manager and agreed to remain invested for now as there has been a continuing improvement. The fund is still to remain on the watch list so could still be sold.

JF stated that these volatile markets could be the way these are going to be for the immediate future. Does the investment process need to be changed; the fund was ahead of the benchmark by 7% and then lost when the markets tumbled. BW replied that it is a mid to long term strategy and agreed that there has to be a clear strategy to bank profits but not at the cost of outperformance.

Mike Reidy (MR) asked what scope for growth the Absolute return fund was when compared to a China based fund. BW replied that it adds a small level of protection and we have enough invested in china to get the return in arising market.

The IC expressed their concerns of their application of control methods when the markets are falling. There needs to be a clear strategy to address the relationship between outperformance and underperformance. This needs to be communicated to the IC on a regular basis. IC require updates stating the changes to the fund, trades and reasons why. Would like to see regular snail trail graph showing the historical asset allocation in the next review. Need to know if LB strategy is working and understand it fully.

MR has he got the wrong strategy 'buy and hold'. There should be a strategy for banking some of the profit made by the out performance



## **Review of Sentinel Defensive Fund**

Paul Smith (PS) discussed the Sentinel Quarterly Questionnaire, Quarterly Presentation

PS stated that the fund is still well protected and is continuing to stress test the portfolio regularly. He pointed out that some French banks could have gone bust as there have been concerns about their liquidity. Essentially sticking to better quality banks. Most recent purchases have been to add defensive measures to the portfolio.

Mike Hammond (MH) asked if there have been any significant new releases to the Zero market. PS replied No, the majority of companies are creating CULS (Convertible Unsecured Loan Stock). PS then went on to state he would like to grow the structured product sector if there were any suitable choices available. This sector has shown good value; so far all calls have been beneficial. In regards to the alternative sector there has not been much activity. There is some great value to be had but there are risks associated, they have continuation votes and not defined maturity dates which make them difficult to stress test.

DS how do you see this all developing. PS replied, growth of up to 5%, financial spreads could widen which could lead to higher growth. Would like to purchase more anchor stocks. The fund has displayed less volatility than some money market funds.

MH do you let cash build up in the fund. PS yes and I manage it in a similar way as I would do in the Premier UK Money Market fund.

IC agreed that PS was managing the fund well and continuing to add value in the volatile markets and ensuring a high level of protection.

## **Universal fund**

JH - discussed the Sentinel Quarterly Questionnaire, Quarterly Presentation and Manager Under Review Presentation.

## **Comments**

JH open by stating that there had been a lot of changes to the fund in Q4 2011. Conducted a full in depth review of all holdings across the fund.

North America, Being driven by growth which stems mainly from the QE and low interest rates. The large caps and private sector are doing well but can that be maintained when a third of the world are struggling. The Euro zone is in recession, it is uncertain how deep this will be.

Introduced some different ideas into the fund, Electrica Absolute Macro holding invests in a varied selection of instruments and is not correlated to risk assets. The Catco



Reassurance Opportunist fund is also a very diversified holding. It reassures against rare events like Hurricane Katrina, the trigger level is in the region of 1.2 billion.

FB Asked why the full sale of the L&G dynamic Bond. Nick Roberts (NR) replied it was partially to buy new stock due to the manger under performing and this was primarily down to I'll health. FB went on to ask if this caused a problem. NR replied no. JH stated he was in favour of holding 10% in cash as there are some good opportunities in the credit markets over equity markets. If recession hits this will hit equities initially.

RA asked why sell some of AXA UK Select Opportunities holding. NR replied that it was one of the changes designed to take some of the risk out of the portfolio.

FB stated some clients look at the internal benchmark with concern. Do you think the fund will make money and clawback the losses. JH replied yes defiantly, 2012 will a very different year, 2011 was a very difficult year. Part of this was due to the eurozone and the fact that the ECB was to slow to make the right decisions

DS Are you taking a more cautious approach. JH yes, do like equities but some easy money to be made in the credit markets. Equity return could be higher but denotes more risk. The risk on risk off approach is going to be focused on bonds.

IC discussed the Universal presentation and where satisfied with the fact that a lot of positive changes have been made to the fund and that the JH has been reassessing the approach of the fund takes.

## **ACD Discussion**

### Redemptions

MH - Provided ACD reports for the meeting in regards to gross / net sales and monthly repurchases over rolling 12 month period. MH felt these were within expectable tolerance levels in line with the current average.

## **Actions**

- The IC agreed that John Husselbee & Laurence Boyle are still currently under review
- IC requires LB to communicate on a regular basis, updates stating the changes to the fund, trades and reasons why. **RA to submit request**
- Would like to see regular snail trail graph showing the historical asset allocation in the next review for both Enterprise & Universal. **RA to submit request**



- Discussed options relating to the creation of a list of potential replacements. MH to send through a list of multi asset managers who compete in the retail space and will provide a risk return chart in relation to their performance. It was agreed that some in depth analysis would be carried out on each of the managers. **MH**
- Need to assess current managers through attribution analysis request additional presentation / data. Confirm if mandate is being adhered to. More clarity on the investment process **RA to issue request**
- IC to establish process as to when a decision has to be made about replacing a manager.

**Any other business**

None

**Date of next meeting**

24/04/2012 @ Premier's Office Guildford