

**Sentinel OEIC**

**Fund Manager Quarterly Questionnaire**

Period 2

1<sup>st</sup> August to 31<sup>st</sup> October 2008

## FUND DETAILS

Fund: [Sentinel Universal Portfolio](#)

Managing Group: [North Investment Partners](#)

Manager: [North Investment Partners](#)

## 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 significant changes to personnel in the period under review.](#)

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

[Total funds under management represent approx. £280m.](#)

## 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?

[In the period under review we have taken a cautious approach to managing the Portfolio, which has resulted in maintaining a high cash weighting. This stance has been supported by significant new subscriptions to the Portfolio over the last few months. We have been to target cash at around 50% of the portfolio in a period of extreme sentiment and volatility.](#)

[In the last week of the period under review we reduced the cash weighting after significant weakness in the financial markets. We have invested in the corporate bond markets, which offer substantial value, after spreads have widened significant to unprecedented levels as investors price in a depression rather than a deep recession.](#)

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

[The collapse of Lehman Brothers in mid September was a major surprise to all market participants in a "too big to fail" scenario. This lead led markets to fear and panic as the credit markets froze effecting both corporate and inter bank lending. As result governments and central banks had to act fast to provide much needed liquidity to the financial markets. This is now a global crisis and requires a global solution, a fact that the authorities seem to now accept.](#)

To date the concerted efforts of governments and central banks in both fiscal & monetary support is slowly restoring confidence to the markets. However confidence indicators are only slowly reverting to the mean. We believe that there is a value opportunity to start building our exposure once more to the risk assets. In a typical cycle we see bond and credit prices perform ahead of equities. Indeed with governments re-capitalising the banks it makes sense that corporate bonds are the first to benefit from this action.

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 given the strong cash flow of new subscriptions and fragile market conditions.

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

The Portfolio has mainly benefited from its high cash weighting in very fragile financial markets. This cash has been invested in money funds with BNP, Goldman Sachs and Insight. All money funds have AAAM rating which confirms that the primary objective of the manager is "capital preservation." In addition to the money funds, we have made good use of ETFs in order to control the beta in the Portfolio. The use of ETFs also us to build or reduce market exposure throughout the trading day unlike open ended funds which have one dealing/ valuation point at midday.

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

In the period under review we have looked to reduce our high beta funds in favour of ETFs or core funds. This resulted in the sale of RAB European Dynamic which was demonstrating extremely high volatility in both absolute and relative terms.

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

This cash has been invested in money funds with BNP, Goldman Sachs and Insight. All money funds have AAAM rating which confirms that the primary objective of the manager is "capital preservation."

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

The majority of equity exposure is accessed via ETFs so that we can be in control of the beta. The use of ETFs also us to build or reduce market exposure throughout the trading

day unlike open ended funds which have one dealing/ valuation point at midday. As confidence slowly returns to the financial markets we will be looking to invest with active managers.

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

The majority of equity exposure is accessed via ETFs so that we can be in control of the beta. The use of ETFs also us to build or reduce market exposure throughout the trading day unlike open ended funds which have one dealing/ valuation point at midday. As confidence slowly returns to the financial markets we will be looking to invest with active managers.

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

The market conditions of the third quarter have been unprecedented following the collapse of Lehman Brothers. There has been no place to hide accept government bonds, US dollar and Japanese Yen. We have maintained a high cash weighting which has served investors well throughout the period. The challenge now is to invest the high cash weighting to take advantage of cheap valuations.