

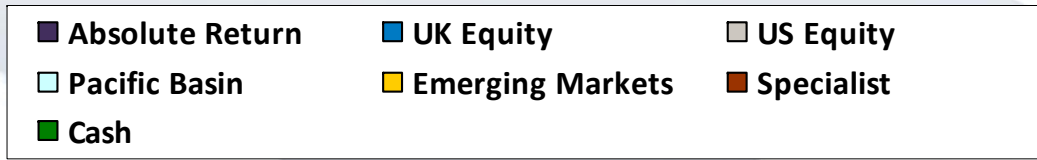
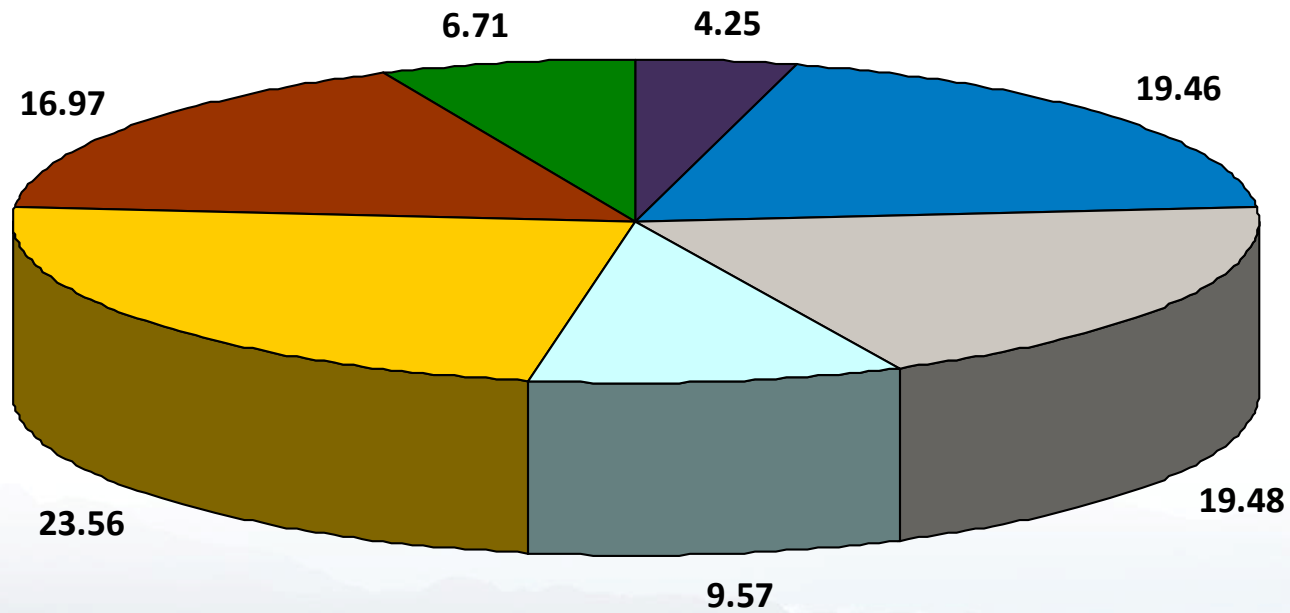
Sentinel Enterprise Fund

The World has changed, and we must change
with it

Laurence Boyle

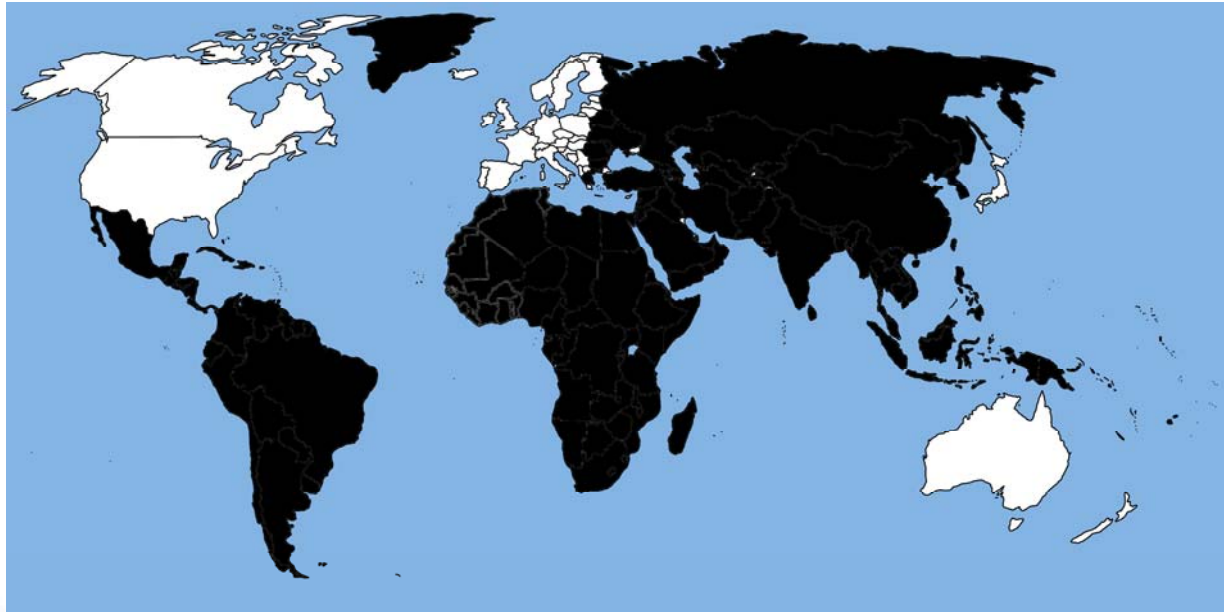
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Sentinel Enterprise Fund Asset Allocation



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The World has Changed!



- Emerging Markets represent 80% of world population, 75% of land mass, 75% FX reserves, 50% of GDP but just 10% of world equity market capitalisation
- More than 80% of people live in Emerging Economies where population growth is 5 times as fast as in developed economies

“ The term Emerging Markets is obsolete. They represent half of the world’s economy; their financial markets are large and liquid, with volatility, corporate governance and government policies very similar to those of developed markets. The traditional distinctions between emerging and developed markets, once pronounced, have disappeared”

Financial Times, 29th September 2009

China: World's Engine of Growth

**“The world may again this year count on
China as the biggest engine of growth”**

Bloomberg, 21/01/2010



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The Great Rebalancing

- The changing global economic balance of power to Emerging Markets

	1980s	1990s	2000-2008	2009-2014*
Advanced economies	86%	92%	60%	38%
Emerging economies	14%	8%	40%	62%

* Neptune Projection, December 2009

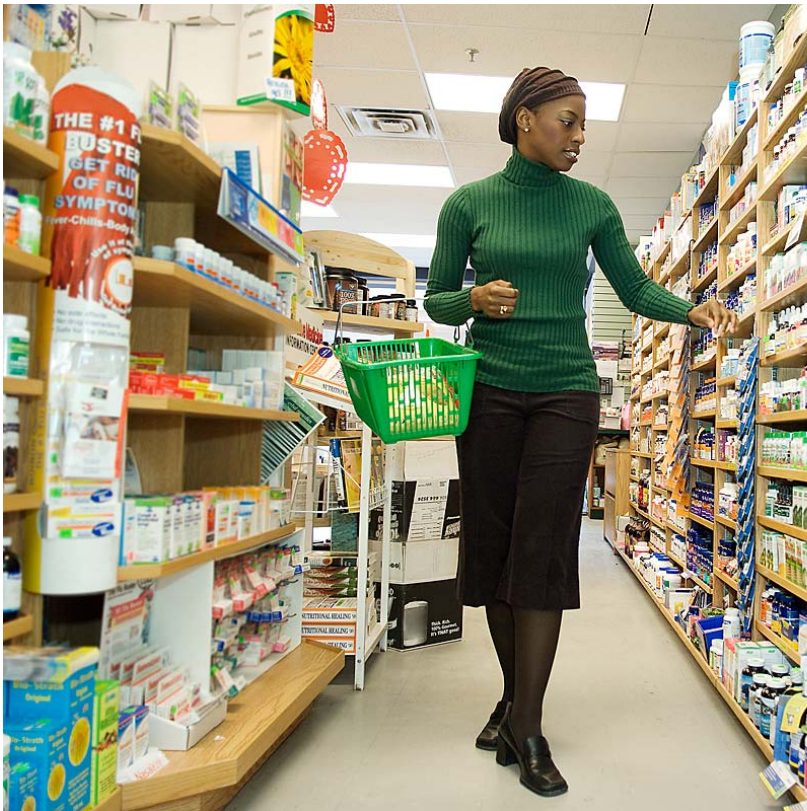
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Real Global Growth Forecasts (%)

- Economic forecasts point to emerging economies for growth potential

Period	2004	2005	2006	2007	2008	2009	2010e
US	4.2	3.5	3.3	2.2	1.5	-2.4	2.5
Japan	2.3	2.6	2.2	2.1	0.8	-5.2	2.0
Eurozone	1.8	1.4	2.8	2.6	1.1	-4.1	1.0
UK	3.2	1.8	2.8	3.1	1.0	-4.9	1.5
Brazil	4.7	1.4	3.7	5.4	5.2	-0.2	6.5
Russia	7.2	6.4	6.7	8.1	7.5	-8.0	4.5
India	7.0	7.5	9.2	9.2	7.5	6.6	6.5
China	9.5	9.9	10.7	11.4	9.8	8.7	10.0

The Decade of the BRIC consumer has started!



“ If we are going to be anywhere near right, then this decade IS going to be THE decade of the BRIC consumer, and of course, as we turn to 2010, there are lots of signs that this is how it is starting. Whether it is autos, TVs, mobile phones, Swiss luxury watches, China is at the forefront of all of this, but it will increasingly involve the others too”

Jim O’Neill, 31 December 2009
Head of Global Economic Research
Goldman Sachs

BRICs: Winners of the last decade

- **China: the economic winner**

China's GDP has risen about \$3.5 trillion over the last decade while the US' GDP rose \$4.7 trillion. In other words, China has added about 75% of what the US did to the world's GDP even though it started the decade at about 1/9th the size. ¹

- **BRICs triple in size**

The BRICs' combined GDP has tripled in size in the last decade – rising from \$2.5 trillion to around \$9 trillion.¹

- **BRIC markets top performers**

Since 2000, the performance of the BRIC markets has towered over those of the developed markets and comfortably outperformed other emerging markets.²

- **Financial crisis strengthened BRIC position**

The BRICS have come out of the financial crisis stronger than developed countries. Since the start of the crisis the BRICs' contribution to global growth has been 45% - up from 24% in the first part of the decade.³

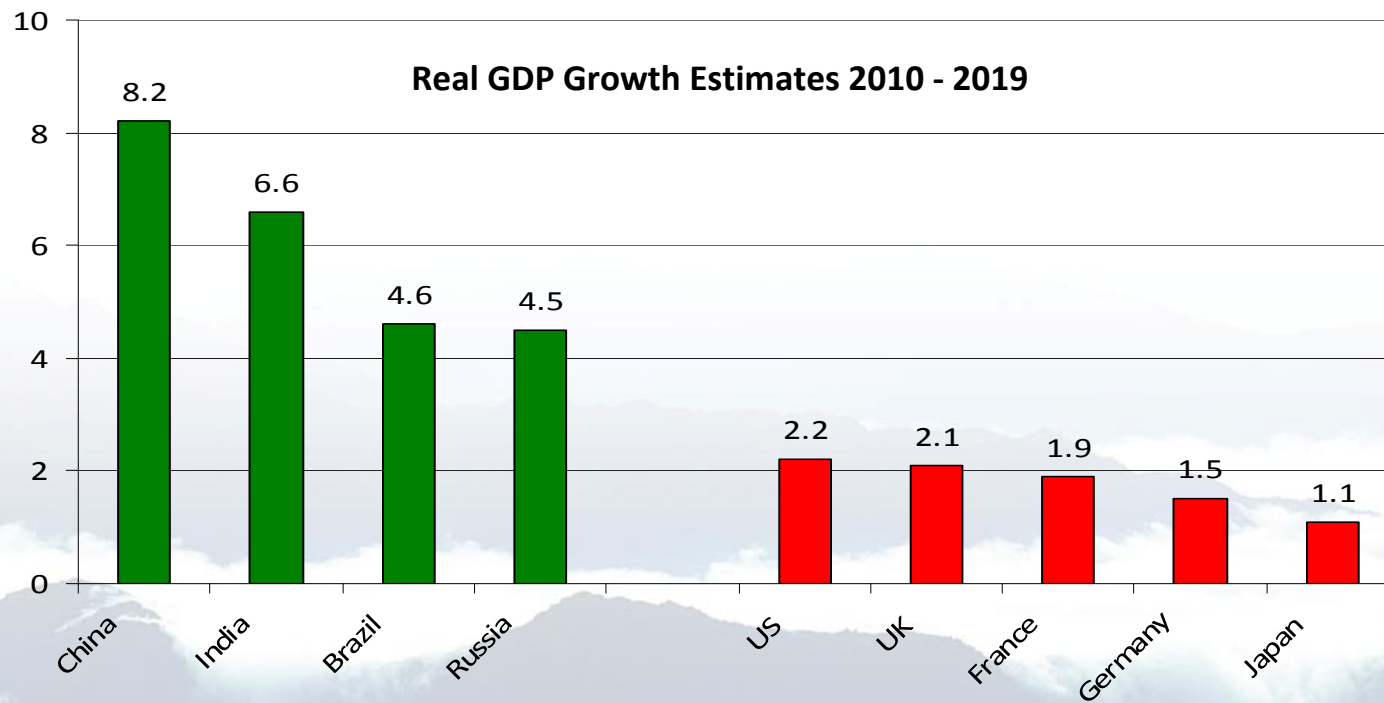
1. Source: Goldman Sachs, 31.12.09

2. Source: RCM/Lipper

3. Source: Goldman Sachs, 04/12/2009

BRICS: Superior growth likely to continue

- The combination of large populations and high growth rates translates into profound changes for the world economy



The BRIC Picture

- BRICS have total population more than 3x that of EU, USA and Japan combined
- Growth in EMs is more volatile than in the West but consistently much higher for more than a decade

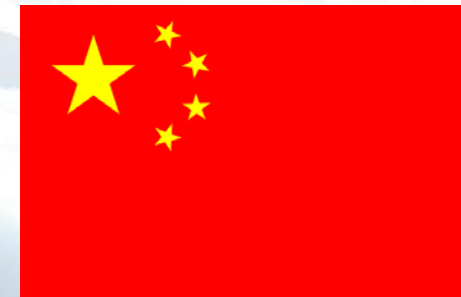
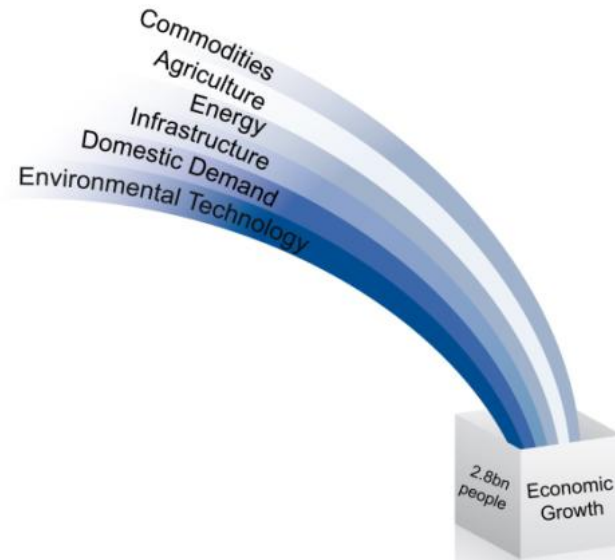
GDP outcomes and forecasts, (\$bn)			
	2007	2014	Increase
China	3,382	8,500	151%
RUSSIA	1,294	2,232	72%
India	1,102	1,740	58%
Brazil	1,334	2,010	51%
US	13,807	16,928	23%
G7	30,464	34,761	14%
EU	16,927	17,891	6%

IMF World Economic Outlook (2008)

The impact of sub-prime has accelerated the shift away from the West

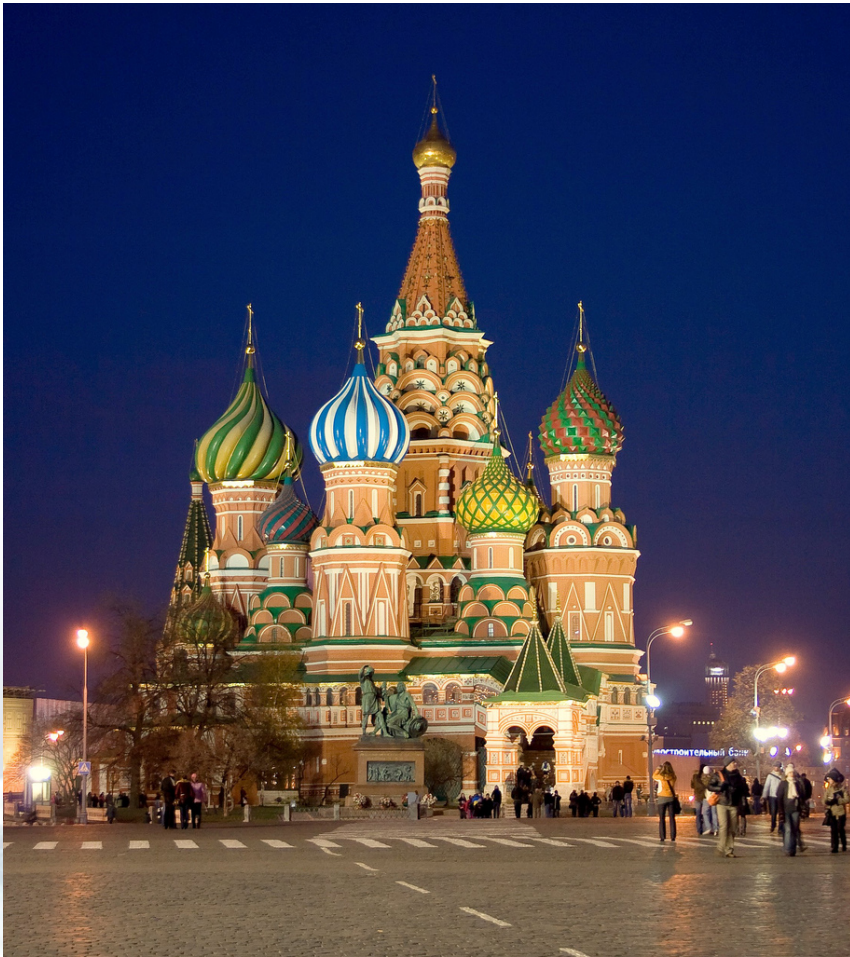
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BRICs: 2.8bn increasingly affluent people are unleashing powerful themes



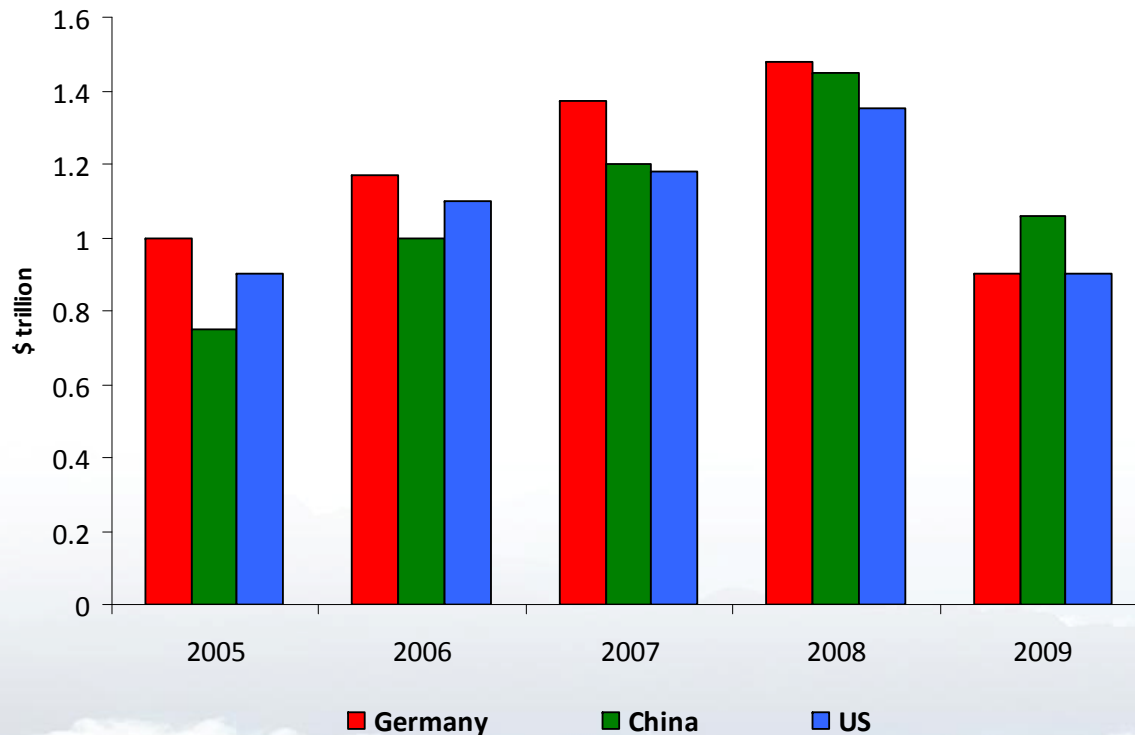
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Low Leverage Broadens Economy



- Low consumer debt
 - Household debt low with very few mortgages
 - Year on year wage growth, low basic income tax = more disposable income
- Growing consumer industries
 - Mobile phone penetration
 - Beer industry growth
 - Luxury food goods
- Russia is among Europe's largest retail markets

China dethrones Germany as export world champion



- China took over the mantle of the world's top merchandise exporter from Germany in 2009, aided by a global economic crisis that has taken a greater toll on other trading powers
- China exported \$957bn of goods in the first ten months of 2009, compared with \$917bn for Germany

China – the world's biggest car market

TIMESONLINE

On the opening day of the Detroit Motor Show 2010 — a century after the Model T Ford made America forever inseparable from its cars — China has roared past the United States to become the world's biggest car market.

In 2009, Chinese sales of cars, trucks and other vehicles soared to 13.6 million, a 46 per cent rise from the previous year's levels and comfortably higher than the 10.4 million equivalent vehicles sold in the United States last year. Only 33 years ago, there were only one million privately owned cars in the whole of China.

Four million private cars now clog the streets of Beijing alone and 2,000 new drivers become part of the capital's grim crawl of traffic every day. At one point last year, Beijing was handing out 12,000 new driving licences each week. The Government is also investing heavily in car infrastructure. The budget for road investment this year will be around \$130 billion (£80.6 billion).

Infrastructure investments are still a major driver for the Chinese economy



← Beijing Metro, 1999



Shanghai traffic, 1980 →



← Beijing Olympic Village Link, 2007

Nanpu Bridge Intersection, Shanghai, 2009 →



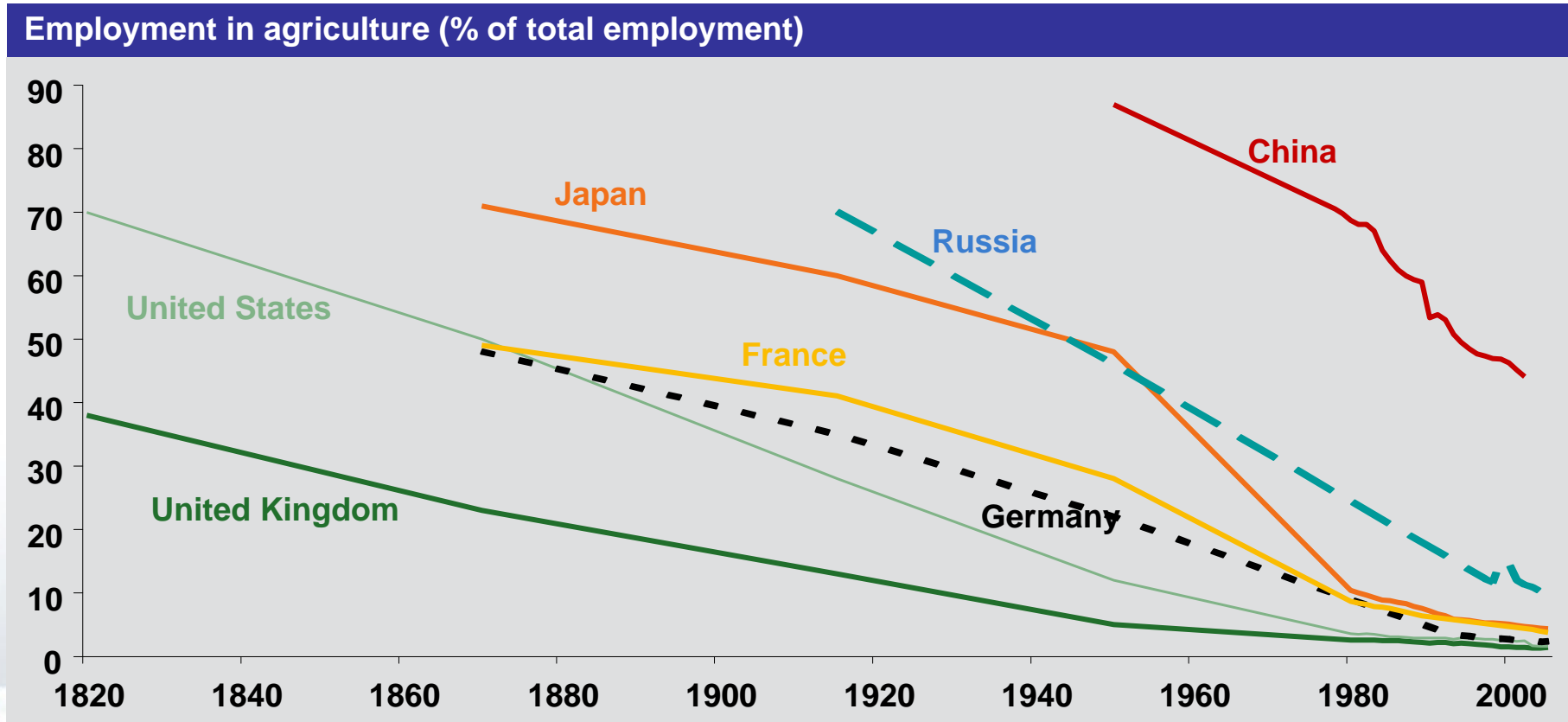
Infrastructure investments are still a major driver for the Chinese economy

- Infrastructure is vital to economic growth
- World Bank estimates show that a 1% increase in a country's infrastructure stock adds 1% to the level of GDP
- Recently much spending in the developed world has been channelled into rescuing the financial sector
- In contrast, China's strong fiscal position and economic health mean that spending can be allocated to infrastructure



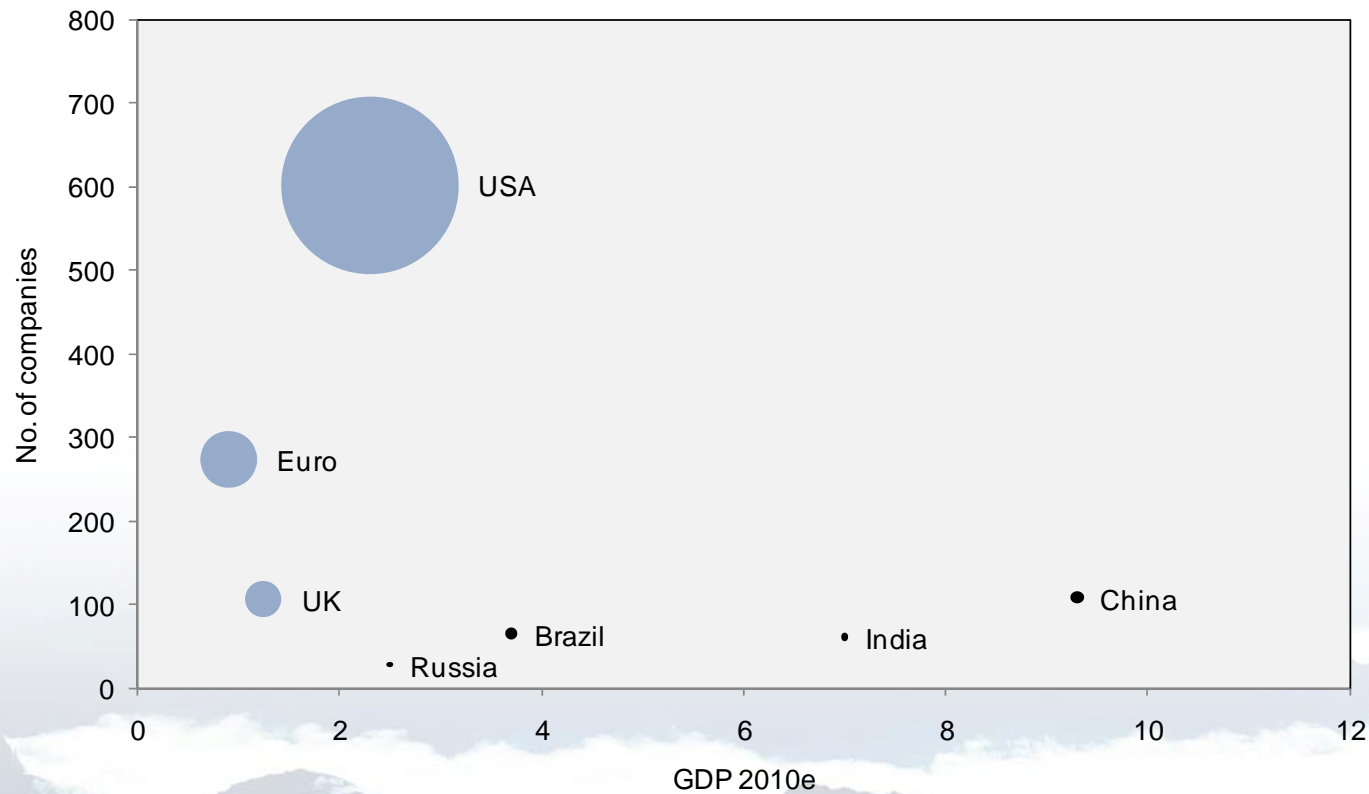
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...supported by rapid urbanisation...



Source: Causal influences on productivity performance 1820-1992 by A Maddison, World Bank

But... the BRIC markets still have a long way to go to catch the Developed markets



- BRIC Markets have risen from around 2% of global market capitalisation to 9% currently*
- This could rise to 50% by 2050*

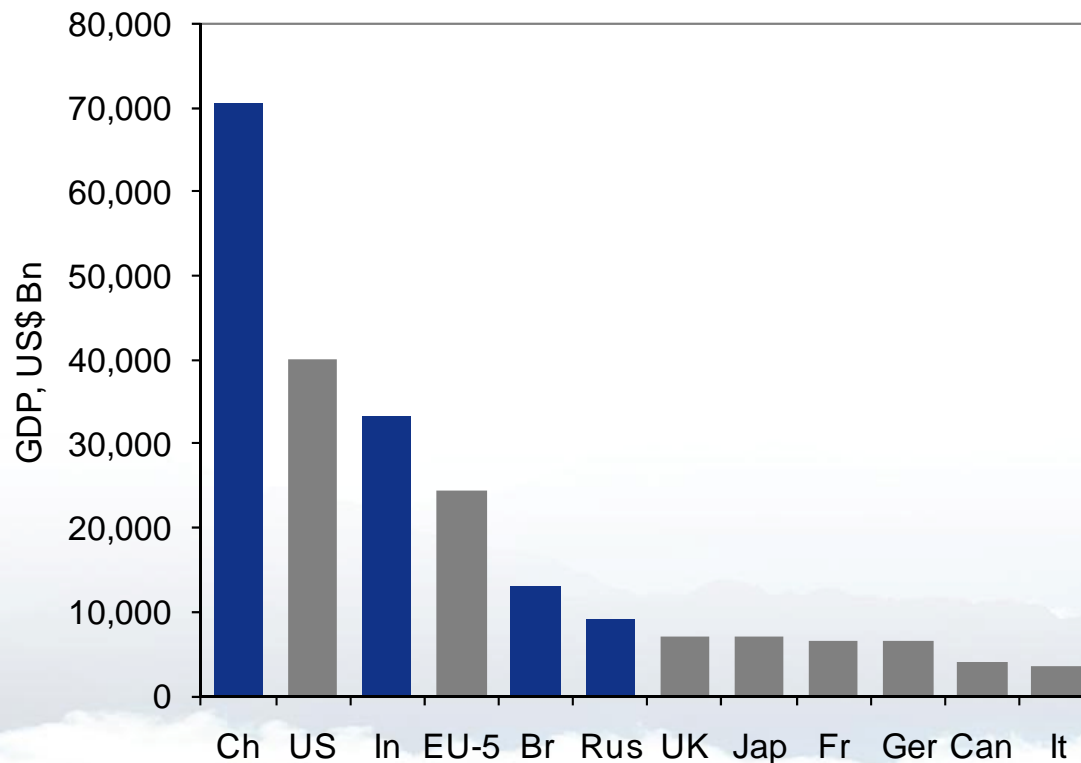
Size of circle indicates market capitalisation

* Source: Goldman Sachs

Source: RCM, MSCI, GDP forecasts, as at 31/07/2009. Market cap, no. of companies as at 01/09/2009

BRIC analysis: increasingly optimistic

The world in 2050



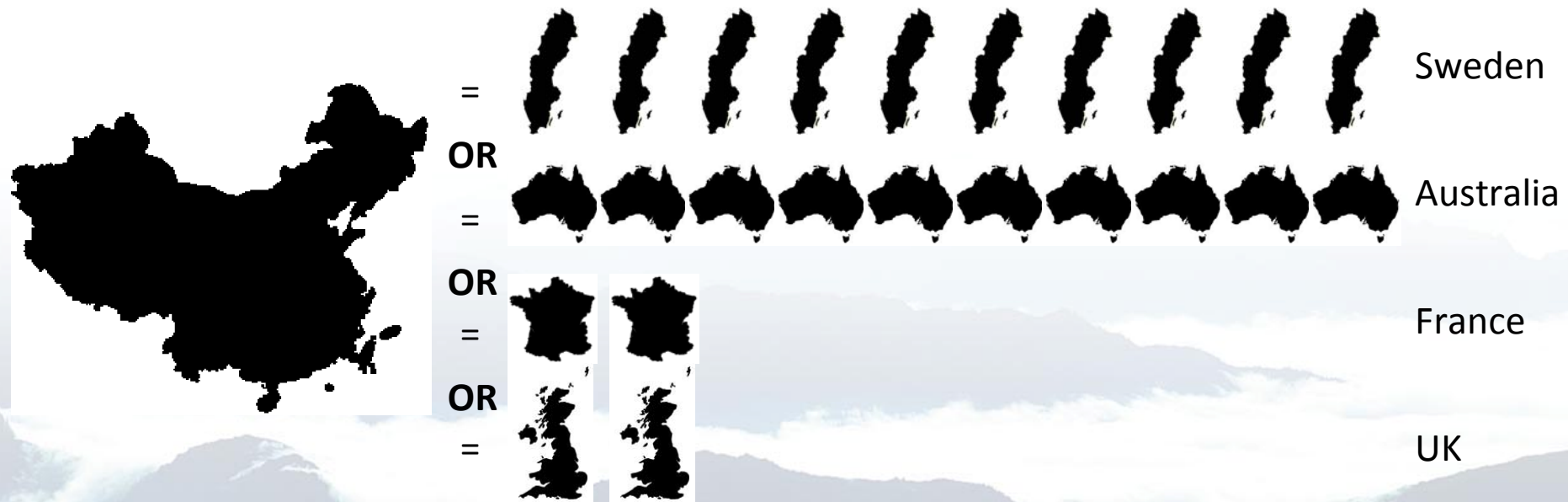
- China surpasses US in 2027 rather than 2035
- BRICs pass G7 in 2032 rather than 2040
- India catches up with the US by 2050
- Brazil and Russia overtake Japan by 2050

The BRIC story is unfolding more rapidly than expected

The GDP that China has added between 2000-2009

China is the economic winner

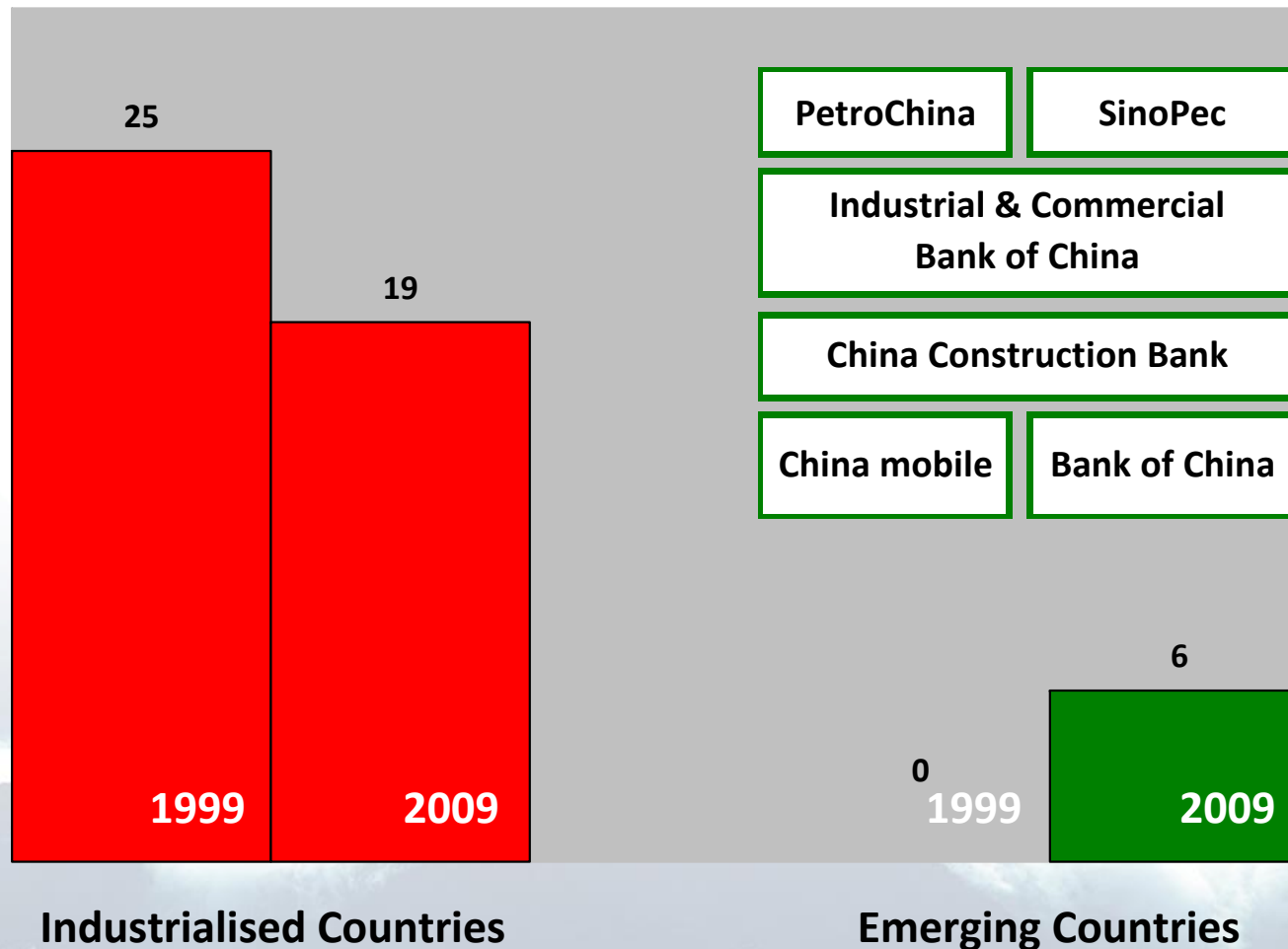
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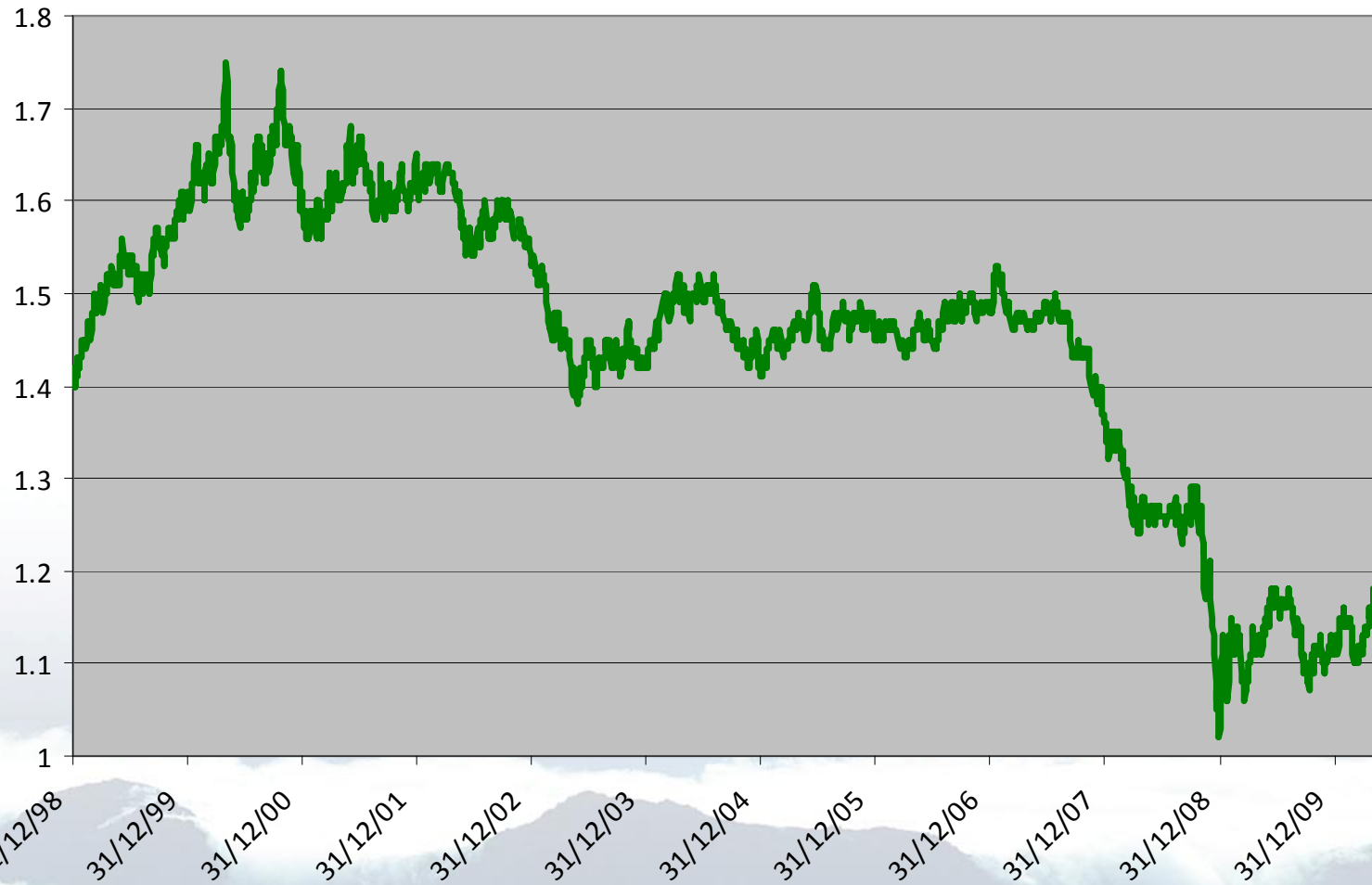
* Source: Goldman Sachs estimate 31/12/2009. Based on looking at other countries' US\$ equivalent size in 2000

Six of the largest 25 companies in the world are based in China

25 Top Companies (By Market Capitalisation)



11 Years of the Euro



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