

Henderson Gartmore Latin American

Managed by Henderson Global Investors

Full Rating Report



FitchRatings
Fund Quality Rating Scale

- < Excellent
- < **Strong**
- < Satisfactory
- < Weak
- < Inadequate

Key Rating Drivers

Stock-Picking Investment Style: The bottom-up, consistently adhered to, investment approach focuses on the selection of 50-70 stocks which provide exposure to the Latin American market and that have a high potential for better-than-expected earnings. The fund is fully invested and has a quality bias.

Original Proprietary Research: Research, conducted by sector specialists, emphasises industry and franchise analysis to identify unexpected earnings. Financial modelling of stocks is used to derive a price target. The research process incorporates effective challenge mechanisms.

Empowered, Talented PM: The portfolio manager (PM), Chris Palmer, has 22 years' investment experience and a 16 year company tenure. He heads the Global Emerging Market team of five. The PM's strong accountability, recognised talent and small size of the team, result in some reliance on Chris Palmer.

Efficient Portfolio Construction: The PM has significant leeway in the selection and sizing of positions. However, explicit risk guidelines limit excessive deviation from the benchmark. An independent investment risk team of six provides effective oversight and a challenge to the PM's risk taking.

Established, Growing Asset Manager: Henderson is a listed, global asset manager with GBP74.4bn assets under management (AuM) as of end-June 2011. Henderson, via Gartmore, has been managing Latin American equities since 1995. The operational and IT environment is built around standard third-party systems (such as Charles River) providing well controlled and efficient workflows.

Appropriate Operational Framework: The operational set-up passes Fitch Ratings' operational assessment as detailed on page 5. The set-up is fairly simple, with standard terms and third parties. Liquidity of the fund is satisfactory. Market capitalisation of the portfolio is kept in line with that of the benchmark but has a medium to small cap bias.

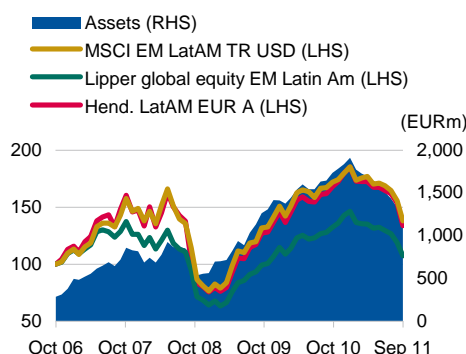
Strong Track Record: The fund has achieved the best Lipper Leader score over five years. This strong track record enables the fund to reach a "Strong" FQR rating.

Fund Features

Asset management company	Henderson Global Investors
Portfolio managers	Chris Palmer
Inception date	October 2004
Size	USD1.53bn as at 30 Sep 2011.
Lipper classification	Equity emerging markets Latin America
Strategy	Global sector equity
Reference index	MSCI EM Latin American Index TR
Share classes	Primary share class : LU0200080918 EUR A Other share classes in EUR and USD.
Jurisdiction	Luxembourg

Figure 1

Fund Performance and Assets



Source: Lipper

Figure 2

Lipper Leaders: Consistent Return Rating^a



^a For the primary share class
For more information, see www.lipperleaders.com

Analysts

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Qualitative Assessment

Investment Process

Investment Philosophy

The fund aims to beat the MSCI EM Latin American index by more than 2% a year. The fund is fully invested in a portfolio of 50-70 stocks, which provide exposure to Latin American markets.

A bottom-up investment approach focuses on the selection of stocks that have a high potential for better-than-expected earnings or unexpected growth. Top down views are limited to the impact country specific factors may have on industry and stock selection. As such, the fund does not show any significant macro-bets or stylistic biases.

An investment edge resides in the experience of the lead PM whose portfolio selection reflects the strong, research-driven convictions. The investment process incorporates effective challenge mechanisms for research outputs and the PM's decisions.

The investment horizon is around nine months: typically six months to allow for the stock catalysts to materialise and three months to allow the implementation of sell discipline. The turnover of the portfolio is relatively low (80% over the past 12 months).

Since launch, the fund has adhered to its philosophy, which did not change when Gartmore merged with Henderson. The fund aims to outperform in all market conditions. Nevertheless, detrimental market regimes are driven by a systematic negative market sentiment as the fund is exposed to positive stock-specific earnings surprises.

Research

The proprietary research, based on a robust blend of fundamental and quantitative analysis, aims at capturing unexpected earnings potential. The research process emphasises industry and franchise analysis as well as financial modelling to derive a price target.

The investment universe comprises stocks which represent individually more than 0.1% of the benchmark (ie, collectively more than 90% of the benchmark). Stocks that are not included in the benchmark may be included in the universe depending on their liquidity and market capitalisation.

Ideas are generated from a variety of sources, including, in-house or external research (through Alpha Network, an intranet community of brokers), market expert networks (such as Primary Insight), company publications and visits, or market trends and news.

The industry research uses the "Porter's five forces" and Political, Economic, Social, Technological (PEST) analytical framework to identify industry return and growth drivers. The franchise analysis uses a proprietary framework to determine whether a company possesses the industry's key success factors. Franchise analysis covers three modules: structure (financing capability, market leadership), the assets (intellectual property, quality of assets), the management (strategic direction, ability to innovate). The team regularly meets with company management as part of a programme of visits to Latin American countries.

A discounted cash flow (DCF) methodology is used to define a stock's price target based on forecasted earnings and cash flows. Traditional valuations measures such as price / earnings ratios or enterprise value / operational income are used as cross-checks.

Country research is conducted by the PM and analysts as an integral part of their industry research. A country model is used to challenge research views and to aid in the timing of investment decisions. The model uses valuation, fundamental and momentum factors.

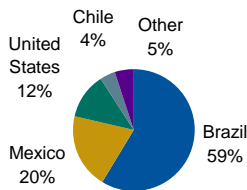
Research is documented in succinct, non-standardised memos, disseminated by emails. Conclusions are not formalised in a stock grading system but in a target price. The limited

Figure 3
Fund Statistics
Calendar returns (%)

Year	Fund	Reference index ^a	Lipper category
2011 ^b	-13.02	-11.45	-13.56
2010	16.43	11.70	11.10
2009	27.68	33.15	29.40
2008	-38.70	-43.14	-42.92
2007	1.28	3.61	1.56
2006	32.21	20.69	17.70
Statistics (1 year)			
Tracking error (%)			5.04
Information ratio			-0.08
Max weekly drawdown (%)			-6.95

^a Reference index is MSCI EM Latin American Index TR
^b As of 30 August 2011
Source: Lipper

Figure 4
Regional Allocation
As of September 2011

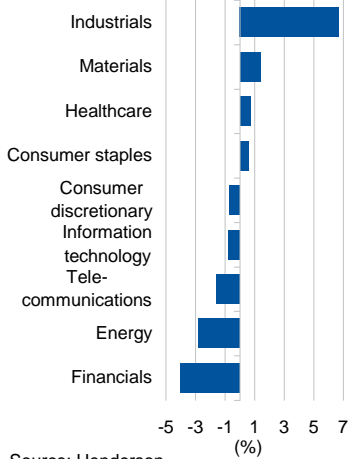


Source: Henderson

Figure 5

Sector Weigthing

vs. benchmark, as at Sep 2011

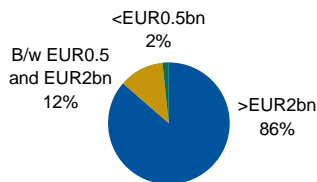


Source: Henderson

Figure 6

Capitalisation Breakdown

As of September 2011



Source: Henderson

formalisation and consistency of research outputs is a function of the small size of the team and the close interaction of its members. In-house research recommendations are challenged by proprietary quantitative models, external research, technical analysis and Henderson’s managers before a stock is considered for investment.

Decision Making and Portfolio Construction

The highly accountable PM benefits from significant leeway in portfolio construction but is subject to an effective risk and performance oversight by independent risk functions and committees, in line with Henderson’s investment culture. At Henderson, there is neither a “house view” nor investment committees.

The PM does not weight positions against the benchmark, although it does set parameters to limit excessive deviations from it. Position sizing reflects the PM’s judgement on liquidity, country, sector impact and the risk profile of the portfolio. As a guideline, the 10 largest individual stock positions should contribute for less than 10% of the total tracking error of the fund (targeted at 5-9%). Furthermore, an individual sector or country allocation should not be underweight or overweight by more than 5%. The PM keeps the average market capitalisation of the portfolio in line with the median market cap of the benchmark.

Positions are sold when the price target is reached. If the investment thesis doesn’t materialise, sell criteria include a fundamental downgrade or an unexpected price drop of the stock.

Portfolio Monitoring

Portfolio risk monitoring is based on daily, weekly and monthly risk report produced independently by Investment Risk Management from Barra, Risk Metrics and Style Research software. Through these reports, the PM and senior management monitor the fund’s tracking error, beta, contribution to tracking error, active risk decomposition, style factor breakdown, country and market capitalisation, illiquid stocks, among others.

Liquidity risk is monitored daily through the time required to liquidate a position based on 20% of the share’s average 60 day volume. Specific focus is placed on “tail” liquidity. Investments are also limited to 5% of a company’s total equity.

The risk review process intends to ensure that the portfolio is not exposed to excessive or unintended risk. Regular dialogue between Investment Risk team and PM contribute to a genuine embedding of risk management in the investment process. Twice weekly equity risk meetings and monthly investment risk committee formalise the risk oversight and escalation mechanisms.

Operational Front-Office Workflows

The PM is directly in charge of the operational management of the fund. The Charles River system supports the straight through processing of orders, which are executed by the central dealing unit of 15 equity and fixed income traders. Pre-trade compliance checks are automated in Charles River. The fund does not use derivatives. Procedures allow for swift implementation of investment decisions and best execution. The fund’s front office workflows did not significantly change when Gartmore merged with Henderson.

Resources

Staffing

The ex-Gartmore Global Emerging Market team of Henderson consists of five experienced PMs or analysts who demonstrate an average industry experience of 16 years. Each member of the team has a sector focus. They also perform country analysis, in the absence of a dedicated macro-economist. Henderson’s culture emphasises the PM’s accountability within a small, focused and autonomous investment team, resulting in some key person dependency on the lead PM.

Chris Palmer is the PM of the Henderson Gartmore Latin American fund. He is also the head of the Global Emerging Market team. Chris has 22 years' investment experience and has been managing Latin American equities since 1995, when he joined Gartmore. Chris Palmer is located in London, but travels extensively in Latin America, where he has developed a strong local network. Chris also manages the Henderson Emerging Markets Opportunities Fund and the Henderson Gartmore Emerging Markets Fund (SICAV, an open-ended collective investment scheme). In the absence of the PM, the team is empowered to make the decisions.

There is an Investment Risk Management team of six, an operational risk team of four, two derivatives risk managers and one credit risk manager. There are no front office support teams: each desk consists of analysts and fund managers who are responsible for their own operational tasks. The dealing desk of 15 includes 9 equity traders, is based in London in Singapore, but nevertheless benefits from a good access to the local Latin American markets. Two dealers work on the fund, covering all of Latin America.

Technology

Charles River is Henderson's integrated "front to back" system. Pre-trade controls, trade transmission, cash management, NAV validation, subscriptions / redemptions are handled by the tool. Ex-Gartmore portfolios migrated on Charles River in 2011.

Equity risk and analytics systems include Barra (factor risk analysis), Factset (performance attribution), Risk Metrics (Var and Stress tests) and Style Research (style analysis). All risk data and analytics are centralised in an internally developed website facilitating reporting production.

Asset Manager

Ownership and Financial Conditions

Henderson was founded in 1934. The company has been listed on the London and Sydney stock exchanges since December 2003, following its de-merger with AMP Asset Management. Some 85% of the stock is held by the top 20 investors, National Nominees Limited (16%) and J.P. Morgan Nominees Australia Limited (15%). Henderson employed 293 investment professionals and over 900 staff in total as of February 2011.

Henderson's financial condition is sound overall. The Gartmore acquisition had a positive impact on profitability. Operating margins improved in H111 to 36.1% from 30.0% at end-December 2010. Gross debt / equity was 0.40 as at June 2011 down from 0.60 as at December 2010, before the Gartmore acquisition.

Client Base

Henderson's clients represent a good blend of institutional (51%) and retail (49%) money. UK represents 63% of the investor base. Flows have been volatile (+GBP0.2bn for retail and GBP2.7bn for institutional for H111). Investors in the Latin American fund are 65% institutional and 35% retail.

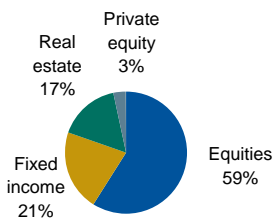
Institutional Experience & Market Presence

Henderson managed GBP74.4bn as of end-June 2011. Henderson has been managing SICAVs since 1985 and Latin American Equities since 1995. Emerging Market Equities represented USD4.5bn as at June 2011 and are therefore strategic for Henderson.

Stability

Henderson's recent history is characterised by external growth: in 2009 it merged with New Star and in 2011 with Gartmore. However, the integration of New Star and Gartmore appears to be progressing according to plan. There has, however, been some staff turnover, between 14-20% between 2008 and 2010. Key members of the EM team remained in place.

Figure 7
Company's AUM Breakdown by Asset Class
As of June 2011



Source: Henderson

Figure 8
Operational Assessment

	✓ Pass	● Attention required	x Fail
Service providers & asset segregation			
Custodian	✓		
HSBC Securities Services (Luxembourg) S.A. (HSBC SS). HSBC holdings is rated 'AA'/F1+' by Fitch.			
Segregation of assets	✓		
Administrator	✓		
Segregated HSBC Securities Services (Luxembourg) S.A.			
Auditors	✓		
Stability in service providers	✓		
PricewaterhouseCoopers Stable since inception			
Others			
Regulation & governance			
Regulated vehicle	✓		
Sub-fund of Lux based SICAV, UCITS III compliant.			
Governance	✓		
Control framework	✓		
Board of 7 includes 1 independent Director Compliance: 20 people, investment risk: 6, credit risk: 1, operational risk: 4, derivative Risk: 2, internal audit: 5			
Valuation & pricing			
Pricing responsibility	✓		
Pricing policy	✓		
Undertaken by HSBC as per regulation Underlying assets listed on stock markets in each country; illiquid/unquoted investments priced via Fair Value Committee.			
Back-office reconciliations	✓		
Daily			
Fund terms			
Liquidity management	✓		
Fund is priced daily with T+4 settlement. Some investments may be illiquid or trading volumes low. PM conscious of not investing too much in one stock (limit of 5% of total equity). Review time required to liquidate position based on 20% of share's av. 60 day volume.			
Fee structure	✓		
Management fees of 1.0-1.5%, max initial charge: 5%			
Conflicts of interest			
Management of conflicts of interest	✓		
Completely independent asset manager - no other activities than third party investment management			
Alignment of interests	✓		
Presence of both short and long term incentive schemes, with performance related fees and employee share schemes.			
Disclosure & transparency			
Clear strategy representation	✓		
Level of disclosure	✓		
Eligible instruments and investment strategy are clearly described in prospectus. Good level of transparency: monthly factsheets with top holdings and performance. One page market commentary (specific to LATAM) also available.			

Source: Fitch

Important Notice

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