



March 31, 2011

### Quarterly Commentary

Equity markets made a strong start to 2011, rising steadily during the first two months of the quarter on robust global economic data and positive company earnings. However, markets corrected dramatically following increasing turmoil and conflict in the Middle East and North Africa (MENA), and a devastating earthquake, tsunami and nuclear risk trifecta in Japan. Despite this, equity markets remained surprisingly stoical as the quarter came to an end, with the MSCI EAFE index finishing the period in positive territory.

The Portfolio delivered a positive absolute performance but underperformed its MSCI EAFE benchmark in relative terms for the quarter. By sector, stock selection in Financials and Information Technology detracted from returns, offsetting positive selections in the Telecoms and Industrials. By region, returns in Europe (including UK) and emerging markets detracted the most from relative returns, more than offsetting a positive contribution from Japan.

The main negative contributor was stock selection within Financials, led by the underweight to European banks and insurance companies. During the quarter, investors became more sanguine about sovereign debt levels, increased regulation and the potential for increased capital requirements; despite the effective nationalization of Irish banks and the yield on Portuguese debt fast approaching double digits. While positions in Barclays and Credit Suisse added value in this environment, Chinese insurance company Ping An lagged on concerns about tighter controls stymieing growth. Within the IT sector, Japanese exposure weighed on relative returns, offsetting positive returns from a position in Ericsson.

At the regional level overall, however, Japanese stock selection was positive. A position in Makita was a strong performer; the Japanese power tool company is exposed to international sales and manufacturing and we believe will continue to benefit from the broadening global economic recovery. Defensive, quality growth positioning in Europe continued to be rewarded, with Shire Pharmaceutical, Michelin, SGS and ABB all adding value. The rising oil price also helped positions in explorer Cairn and oil rig builder Keppel Corp.

The Portfolio remains underweight a bifurcated Europe, with a cautious view on growth and the Financials sector in particular. The Portfolio is more exposed in Europe to Industrial and Consumer Discretionary stocks exposed to either a US recovery or emerging market demand. The Portfolio is also marginally underweight Japan having reduced domestic exposure following the earthquake. We are increasingly finding attractively valued opportunities in emerging markets, particularly in China which has lagged both emerging and developing markets, but appears near to the end game in its policy tightening.

Looking forward, we expect the global economic recovery to continue on track, despite recent events in the Middle East and North Africa, and Japan, with the US an increasing contributor to growth. This bodes well for equity markets in general, but as stronger growth leads to increased inflationary concerns there is a risk of policy tightening in developed as well as emerging markets; as such equity markets are likely to be choppy.

The views in this report were those of the portfolio manager as of the date indicated above and may not reflect the views of the manager on the date this report is first published or anytime thereafter. These views do not constitute investment advice.

International securities involve special risks, which may include currency risk, political instability and risk associated with varying accounting standards and increased volatility related to the relatively smaller size and lesser liquidity of less-developed markets. International investing may not be for everyone. Individual client portfolios may differ based on variations in security purchase price, date, and individual client restrictions.

### Q1 2011 performance\*

**International ADR Model  
Portfolio (gross of fees):**

2.79%

**International ADR Model  
Portfolio (net of fees):**

2.51%

**MSCI EAFE Index:**

3.45%

### Portfolio Manager

**Manraj Sekhon, CFA**, is Head of International Equities and the Portfolio Manager of the International ADR Portfolio.

Mr. Sekhon has more than 17 years of investment experience.

### For more information

For additional information on the Henderson International ADR Portfolio please call 1.866.443.6337 or visit our website at [www.hendersonglobalinvestors.com](http://www.hendersonglobalinvestors.com).



# International ADR

## Portfolio

### Top 5 sectors

1. Industrials	23.1%
2. Financials	15.9%
3. Consumer Staples	12.7%
4. Consumer Discretionary	10.4%
5. Energy	9.1%

### Top 10 holdings

1. Makita Corp	5.1%
2. Hoya Corp	4.2%
3. SGS SA	4.2%
4. Rio Tinto	4.2%
5. Unilever	4.1%
6. Keppel Corp	3.7%
7. Bank of China	3.7%
8. Richemont	3.7%
9. Kubota Corp	3.6%
10. HSBC Holdings	3.6%

### Performance as of March 31, 2011

	1 year	3 years	5 years	10 years	Since inception <sup>1</sup>
<b>International ADR Portfolio (gross)</b>	<b>13.53%</b>	<b>-2.02%</b>	<b>2.64%</b>	<b>5.45%</b>	<b>6.75%</b>
<b>International ADR Portfolio (net)</b>	<b>12.02%</b>	<b>-3.40%</b>	<b>1.21%</b>	<b>3.77%</b>	<b>4.87%</b>
MSCI EAFE Index	10.90%	-2.53%	1.78%	5.83%	5.61%
MSCI EAFE Growth Index	12.88%	-2.16%	2.50%	5.15%	4.23%

### Calendar year performance

	Intl ADR Portfolio (gross)	Intl ADR Portfolio (net)	MSCI EAFE Index	MSCI EAFE Growth Index
<b>2010</b>	9.91%	8.32%	8.21%	12.60%
<b>2009</b>	38.23%	36.27%	32.46%	29.91%
<b>2008</b>	-45.37%	-46.17%	-43.06%	-42.45%
<b>2007</b>	18.90%	17.29%	11.63%	16.84%
<b>2006</b>	21.81%	20.16%	26.86%	22.69%
<b>2005</b>	16.61%	14.44%	14.01%	13.64%
<b>2004</b>	14.83%	13.12%	20.70%	16.48%
<b>2003</b>	34.56%	32.00%	39.17%	32.49%
<b>2002</b>	-14.90%	-16.77%	-15.66%	-15.77%
<b>2001</b>	-19.87%	-21.53%	-21.21%	-24.11%
<b>2000</b>	-16.33%	-17.99%	-13.96%	-24.39%
<b>1999</b>	37.57%	35.03%	27.30%	29.70%
<b>1998</b>	12.61%	10.55%	20.33%	22.46%
<b>1997</b>	13.70%	11.45%	2.06%	2.33%
<b>1996</b>	14.68%	12.48%	6.36%	3.70%
<b>1995</b>	12.49%	9.63%	11.55%	11.65%

The International ADR Portfolio is managed by Henderson Global Investors (North America) Inc. and subadvised by Henderson Investment Management Limited. From January 1, 1995 to June 30, 2003, the International ADR Portfolio was advised by J. & W. Seligman & Co. Incorporated and subadvised by Henderson Investment Management Limited.

\*Quarterly performance reflects the approximate performance of the model portfolio upon which the management of actual wrap accounts is based. Model performance does not reflect the results and costs of actual trading, nor does it take into account adjustments to the model as a result of client restrictions and other factors. Actual results of each wrap account may have been materially different from results shown herein because of differences in transaction and related costs, the inception date of the accounts, differences in investment objectives and guidelines, and other factors. Gross of fee returns are presented before the deduction of any wrap fees. Net of fee returns reflect the deduction of actual wrap fees. Net of fee model performance for the most recent calendar quarter assumes a maximum 3.00% annual wrap fee.

The MSCI EAFE Index tracks the stocks of approximately 1,000 international companies in Europe, Australasia and the Far East. The MSCI EAFE Growth Index is composed of a sample of international companies in Europe, Australasia and the Far East with higher price-to-book ratios. One cannot invest directly in an index and index returns do not reflect any management fees or trading costs. Volatility of the portfolio may differ significantly from the volatility of the indices.

Past performance is not indicative of future results. The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities and transactions discussed do not represent an account's entire portfolio or transaction history and in the aggregate may represent only a small percentage of an account's portfolio holdings and transactions. The opinions expressed herein are those of Henderson Global Investors and are subject to change without notice. It should not be assumed that any of the securities, transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. SMA 08-11 SMA-ADR-COMM-1Q11