



Henderson

# International Equity Portfolio

Q1, 2011

# Henderson Global Investors

## An influential legacy



- Henderson Global Investors has been managing client investments since 1934, beginning with the assets of its visionary founder, Alexander Henderson, the first Lord Faringdon
- As his financial empire grew, Alexander identified untapped resources and pursued investments in South America, Europe, the Far East and Africa

- By 1887, the expansive nature of his investments and the maturing of his children required a more formal management of the family's assets
- That organization would eventually become known as Henderson Global Investors, provider of global investment products and services to institutional, retail, and high net worth investors



# Henderson Global Investors

## Investment resources

- Headquartered in London, managing client investments since 1934
- Approximately 930 employees located in 16 countries across the globe
- Assets under management of \$96.4 billion as of 12/31/10



# Henderson Global Investors

## US retail products: The Henderson Difference

- An opportunistic approach
- Bottom-up stock selection
- Global perspective with local insight
- Focused portfolios
- Loyalty of investment managers
- Entrepreneurial culture
- Unwavering focus on investment management

# Henderson International Equity Portfolio

## Investment style

- 'Growth at a Reasonable Price' orientation
- Fundamental approach
- Bottom-up portfolio construction

## Investment philosophy

- We believe *certain* companies can deliver superior growth sustainably over the long term
- Growth is often underestimated when a company is entering an expansion phase
- We believe markets can display inefficiencies, particularly in the short to medium term
- We seek to exploit these opportunities when the market misjudges the growth potential of a company

# Henderson International Equity Portfolio

## Investment process and approach

- Dedicated international equity team
- Common screening process and research ideas help provide a coverage list of securities
- Stock ideas for coverage list also sourced from:
  - Specialist regional teams covering Pan Europe, Asia/emerging markets
  - International equity team research
- Detailed, fundamental analysis of securities in coverage list
- Supported by top-down framework from:
  - Global economists
  - Thematic strategists
- Regular re-evaluation

# Henderson International Equity Portfolio

- Focused stock list of approximately 35-45 highest conviction ideas with a 'Growth at a Reasonable Price' (GARP) style
- Characteristics
  - Asset Class Active International Equities
  - Style Growth at a Reasonable Price
  - Process Bottom-up
  - Outperformance target 2-4%
  - Target number of stocks Approximately 35-45
  - Sector active money <20%
  - Regional active money <20%
  - Typical em mkts exposure 20%
  - Approximate stock limit 5%
  - Targeted tracking error 4%+
  - Primary benchmark MSCI EAFE Growth
  - Secondary benchmark MSCI EAFE

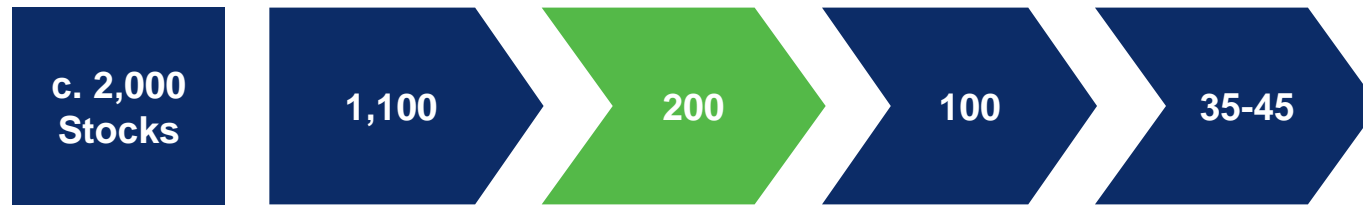
# Henderson International Equity Portfolio

## Investment process



# Henderson International Equity Portfolio

Create the coverage list



**Systematic approach to entire universe**  
**Bottom-up focus on 'Growth' and 'Valuation'**  
**Screens focus universe to manageable list of c. 200 attractive 'GARP' stocks**

## **Multi-factor screening**

- Focus on traditional valuation components
- Provides an overall measure of 'Growth' relative to 'Valuation'

## **Research ideas sourced from**

- Specialist regional/product teams
- International Equity Team research
- Company meetings

# Henderson International Equity Portfolio

## Active risk management

- Our aim is to efficiently manage risk versus return
- We control the portfolio through two factors:
  - Active weighting of a company
  - Choice of holdings
- These factors determine the active risk of the portfolio & the contribution to risk made by individual holdings
- How do we optimize the portfolio?
  - The potential out-performance and our conviction leads to our view on a stock
  - We aim to translate this view into a mix of active risk & active weighting within our portfolios
- We manage risk on a stock-by-stock basis to efficiently represent our view

# Henderson International Equity Portfolio

## Sell discipline

- A stock will be re-appraised if one or more of the following changes occur:
  - The stock price reaches our fair value estimate or expectations become unrealistic
  - There is a fundamental change in the company's business plan or end market
  - Material news relating to the company's execution of the business plan is revealed
  - A material change in predictability of earnings is indicated
  - A change in the International Equity Team's rating
  - In the managers' opinion, a superior investment opportunity arises

# Henderson International Equity Portfolio

## Top 10 holdings

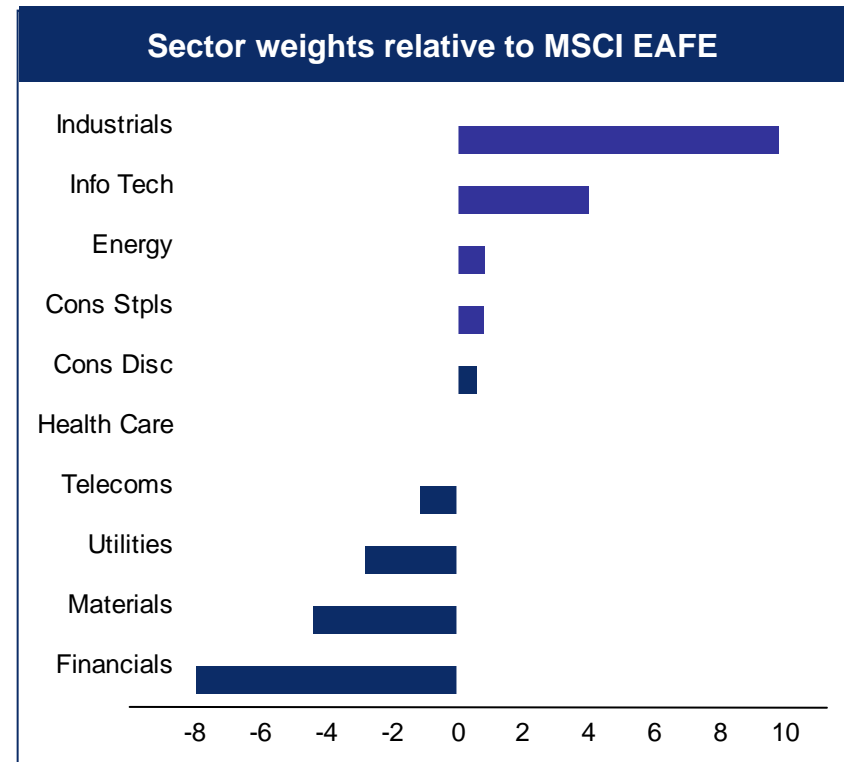
Security	Region	Sector	Weight
Rio Tinto	Australia	Materials	4.4%
Makita Corp	Japan	Industrials	3.8%
Petrobras Brasileiro	Latin America	Energy	3.8%
Bank of China	Asia	Financials	3.7%
Keppel	Asia	Industrials	3.7%
Richemont	Europe	Consumer Discretionary	3.7%
Saipem	Europe	Energy	3.6%
ABB	Europe	Industrials	3.5%
Unilever	Europe	Consumer Staples	3.2%
Randstad	Europe	Industrials	3.2%

Data as of 3/31/11. Holdings subject to change.

# Henderson International Equity Portfolio

## Sector allocation

- The Portfolio remains underweight Financials with a cautious view on growth in the sector
- The Portfolio is more exposed to Industrial and Consumer Staples stocks exposed to either a US recovery or emerging market demand

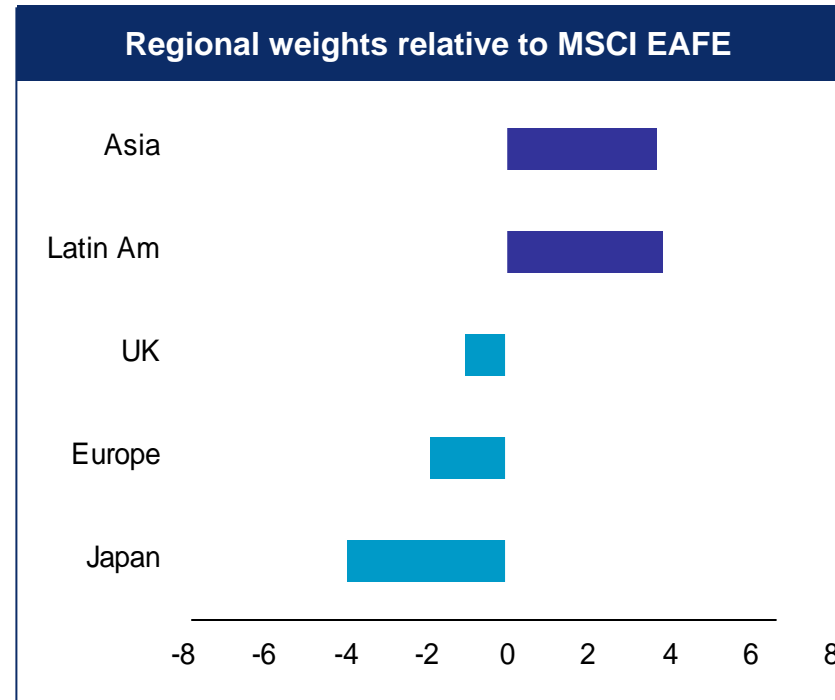


Source: Henderson Global Investors, 3/31/11.

# Henderson International Equity Portfolio

## Regional allocation

- 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.
- The Portfolio is underweight Japan having reduced domestic exposure following the earthquake.



Source: Henderson Global Investors, 3/31/11.

# Henderson International Equity Portfolio

## Portfolio management

### **Manraj Sekhon, CFA** **Head of International Equities**

- Joined Henderson in 2003
- Member of Henderson's Global Policy Committee
- Over 17 years investment experience including 15 years managing Global Equities
- Served as Deputy Head of Global Equities at Invesco Asset Management
- BSc Management Sciences, University of Warwick, England



### For more information

For additional information on any of the Henderson Global Funds or Separately Managed Accounts, please call 1.866.443.6337, visit our website at [www.hendersonglobalinvestors.com](http://www.hendersonglobalinvestors.com) or contact your financial adviser

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The MSCI EAFE Index tracks the stocks of approximately 1,000 international companies in Europe, Australasia and the Far East. You 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 index.

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