



Latest grading issued July 2012

Fund owner: Henderson Global Investors
Fund manager/adviser: Henderson Global Investors
Named portfolio manager/adviser(s): Christopher Palmer (since launch)
Contact group: +44 800 587 0414 or www.henderson.com

Fund profile

Launch date	October 2004
Manager location	London
Sector	Emerging markets Latin America
Peer group	Latin American regional equities
Fund benchmark	MSCI EM Latin America
Fund size	US\$1.7bn (1 May 2012)

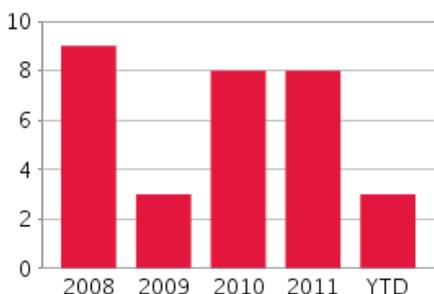
Review period 12 months to end-April 2012

Susan Sworn, Analyst at S&P Capital IQ Fund Research, prepared and is responsible for this report; the Grading Committee is responsible for the grading.

The following report is based on information taken direct from the group either via interview or as a written document and augmented by information in the public domain. The sources of performance data are provided within the report. All opinions are our own.

Fund Research opinion (June 2012)

Calendar-year decile ranks



Decile ranking in discrete annual periods. First decile (highest returns) shown as rank 10, second decile as rank nine with tenth decile (lowest returns) as rank one.

Cumulative returns

	3 years	5 years
Fund share class	73.5%	27.5%
S&P Capital IQ peer median	65.0%	18.3%
Index**	58.6%	21.4%
Fund share class rank	67/226	25/161

** S&P Latin America 40

This core-style, predominantly large- and mid-cap Latin American equity fund has established a strong and consistent record under the stewardship of experienced investor and emerging markets team head Christopher Palmer. On a five-year cumulative view, the fund ranks comfortably first-quartile (indeed, almost first-decile) in its S&P Capital IQ peer group; it has only underperformed peers in one calendar year during that period (unsurprisingly, the low-quality, momentum-driven rally of 2009). 2011 was a challenging year; falling markets and client redemptions decreased the fund value from \$2.4bn to \$1.7bn. Yet again, Palmer steered the fund to an above-median calendar year finish, underpinned by solid stock selection and an astute ability to balance the fund to cope with alternating risk-on and risk-off sentiments.

As team head, fund manager and leader of the investment process, Palmer has a great deal on his hands. With the dust having settled after Henderson's acquisition of Gartmore, we had hoped that the emerging markets team - which had transferred from Gartmore to Henderson almost in its entirety - would see a period of stability. However, in February 2012, experienced analyst Sebastian Barry-Taylor, who had been covering the consumer sector, departed the group, which left just two analysts supporting Palmer and Charlie Awdry (manager of the S&P Capital IQ Silver graded China Opportunities Fund). The intention is to replace Barry-Taylor, but this has yet to occur. Further down the road, Palmer also hopes to add another fund manager/analyst (possibly with marketing skills) to lighten his load, a move we would applaud. In the meantime, last year's new recruit, experienced financials analyst Vincent Houtteville, has proved a valuable addition, providing insight and thought leadership in this challenging sector.

Palmer's approach and process, which combines an astute appreciation of top-down issues and pressures with clearly defined bottom-up stock selection criteria, remains highly consistent. True to its core style, portfolio construction is benchmark-aware and stock selection tends to focus on larger- and mid-caps. This does not necessarily exclude smaller-caps, though stocks capitalised below \$2bn are less likely to be considered (the portfolio, at review, only held a couple of names below this size). The key feature of stocks should be their potential (as yet unappreciated by the market) to deliver earnings surprises. Recent market weakness has given Palmer opportunities to pick up favoured stocks (such as Cia Hering) at attractive levels.

Overall, Palmer still sees plenty of opportunities in the mid- and larger-cap space. Like most funds invested in this region, the largest holdings represent a considerable part of the portfolio (the top 10 accounted for 45% of the total at our snapshot) and yet are underweight the MSCI Latin American index benchmark. The largest index constituents (eg, Petrobras) are typically likely to remain, with the position taken further underweight if the manager's conviction is low.

The well-defined process and approach, applied skilfully by an experienced investor, have led to consistent and solid outperformance, and all these factors combine to allow the fund to retain its S&P Capital IQ Platinum grading.

Henderson Gartmore Latin American Fund

Management style

Christopher Palmer's approach to managing this core-style Latin American fund incorporates bottom-up and top-down elements. A model provides a country overlay that is based on absolute value and uses variables such as macro data, aggregate earnings, valuation and risk. The main emphasis, however, is on stock selection across the region. The team seeks to identify stocks with earnings growth potential as yet unrecognised by markets.

A screening process identifies suitable ideas, looking at relative value, momentum and earnings estimates. This provides a framework for analysing stocks, with the manager evaluating newsflow to predict future analyst upgrades. A recent change in an external data information tool should enhance internal information exchange and collaboration on ideas. A large number of company meetings is conducted, and field trips are also an important source of information. Input is also provided through relationships with selected brokers that are closely monitored.

The momentum screening can lead to changes in the fund's structure when trends are identified, but turnover is typically kept to around 30% a year. The preferred portfolio is typically diversified across 50 holdings and managed relative to the MSCI EM Latin America index. It predominantly comprises large- and mid-caps, though it does not exclude selected smaller-caps (ie, stocks capitalised at below \$2bn). Countries representing more than 10% of the index may be weighted 50-150% of the index weight. Those with less than 10% may have larger deviations. Broad sector variances are kept to 10% and tracking error is usually around 7-8%.

Fund manager & team

The emerging markets team comprises two portfolio managers (head of team Christopher Palmer and Charlie Awdry) and two analysts, James Stevens and Vincent Houtteville. Palmer has over 20 years' investment experience, while Awdry has 11; the two analysts have 12 and 22 years, respectively. Analyst Sebastian Barry-Taylor left in February 2012. The team is organised along sector lines and is responsible for assets in excess of \$4bn.

Christopher Palmer - history (Colgate University), MBA (New York University), CFA, started his career in investment banking in New York, where he specialised in capital markets counterparty risk management before working as an Asia and Latin America investment adviser to a private family investment group. He joined Gartmore in 1995.



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Investment style

	Value	Blend	Growth
Large-cap			
Mid-cap			
Small-cap			

Portfolio characteristics (1 May 2012)

No. of holdings	55
% in top 10	45.4
Turnover ratio (%)	23

Source: Henderson Global Investors

Risk characteristics

	3 years	5 years
Worst month (%)	-18.8	-28.4
Volatility	27.3	33.6
Correlation vs index	1.0	1.0
Beta vs index	1.0	1.0

Calendar-year performance

	2008		2009		2010		2011		Year to 30/04/2012	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund share class	-51.0	24/174	99.9	150/213	19.4	55/242	-21.1	65/266	8.2	215/291
Index**	-50.8		91.8		14.1		-20.7		6.8	
Median	-53.7		103.1		16.8		-22.6		9.4	

** S&P Latin America 40

Fund benchmark: MSCI EM Latin America

Share class screened: LU0200081486 (I)

Performance Data Source - © 2012 Lipper inc. All rights reserved. All statistical data on this report has been run to 30/04/2012 on NAV to NAV basis, with gross income reinvested, in USD and including the effect of fees and expenses.

Grading Process

To qualify for an interview and potential grading, a fund must have a minimum two-year performance track record (three years for funds-of-hedge-funds). New funds, funds with less than two years' performance record and specialist funds can be analysed and included providing independent verifiable performance data is supplied.

The starting point for a grading is an initial quantitative screen based on performance data obtained from Lipper Inc or elsewhere. For long-only funds, discrete annual performance comparisons are made, as opposed to cumulative returns over a three-year period. Relative performance of funds within each sector is ranked by decile.

This quantitative screen captures approximately the top 20% of funds in each sector, depending on the size of the sector. For funds-of-hedge-funds the screen is based on the fund's risk/reward objective.

For more information on the fund grading process please visit our website at www.funds-info.standardandpoors.com.

Symbols and Definitions

Active funds

Grading bands for long-only funds

Platinum The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Gold The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Silver The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Grading bands for Fund-of-hedge-funds / Absolute return / Specialist funds

Platinum The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Gold The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Silver The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Grading bands for Ucits III flexible beta funds

Platinum The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

Gold The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

Silver The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

Bond gradings

V Bond fund volatility gradings of V1 to V6 reflect S&P Capital IQ's current opinion of a fund's sensitivity to changing market conditions. A volatility grading evaluates a fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For the V1 to V4 categories, risk is considered relative to a portfolio composed of government securities denominated in the base currency of the fund.

Absolute return gradings

N The N grading is S&P Capital IQ's indication of a fund's potential capital stability in normal markets. It is a qualitative grading but is based on annualised weekly downside deviation. N1 is the most stable, and N9 the least stable grading.

Continued on next page

Symbols and Definitions (continued)

Passive funds

Platinum	The fund demonstrates the highest standards of quality based on its investment process, risk management and consistency of performance as compared to its benchmark index and other passive funds with a similar benchmark.
Gold	The fund demonstrates very high standards of quality based on its investment process, risk management and consistency of performance as compared to its benchmark index and other passive funds with a similar benchmark.
Silver	The fund demonstrates high standards of quality in its sector based on its investment process, risk management and consistency of performance as compared to its benchmark index and other passive funds with a similar benchmark.

Applicable to both active and passive funds

Bronze	A previously graded fund where a newly appointed fund manager or team does not yet have the required 12 months' relevant investment management experience to achieve a Silver grading or higher.
Grading On Hold	A grading is placed On Hold when a significant change occurs at the fund manager or fund management team level and S&P Capital IQ has not yet had the opportunity to evaluate the impact on the qualitative appraisal.
Grading Removed	A previously graded fund is classified Grading Removed when a significant change occurs at the fund manager or fund management team level sufficient for the fund to no longer meet the standards to achieve a grading.
LTG recognition	A long-term grading (LTG) denotes a fund that has achieved an S&P Capital IQ fund grading at Platinum, Gold or Silver level in each of the last five or 10 consecutive years.

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