

Henderson Horizon Fund

Pan European Property Equities Fund



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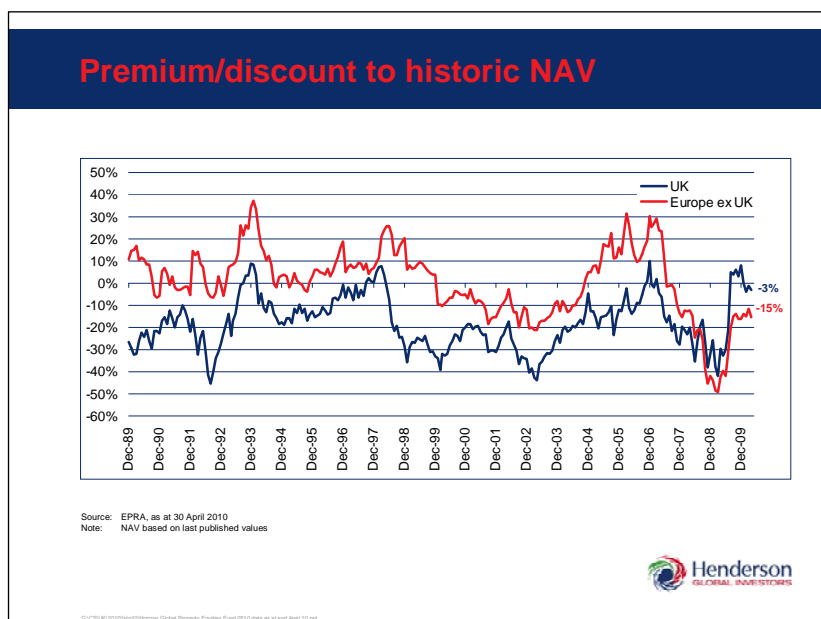
Henderson Horizon Fund – Pan European Property Equities Fund Update

1. With the worries about the Eurozone and the coalition government in the UK raising some issues about cuts in public sector investment, unemployment and higher taxes, what is your current view of the European property stockmarket?

The stockmarket tends to do two things: anticipate what it expects the underlying market to do, perhaps six months in advance; and also overshoot, both on the downside and the upside.

We reckon the bad news is reflected in the price. The Price/NAV is currently at a discount of around 15%. Capital values have recovered a lot of ground.

Right now we believe that investors in European real estate shares are a little too pessimistic. We believe that there is more growth to come in the physical market, but this is not being priced in.



2. What's the current positioning for the Fund?

In terms of positioning, we now focus on 4 key markets – UK, France, Netherlands and Sweden.

Our big overweight bet (52% vs benchmark 39%) is therefore the UK stocks with London exposure, as well as those UK stocks trading at unwarranted discounts (e.g. Segro - 25%). We are overweight the UK in anticipation of rising capital values and rents in central London.

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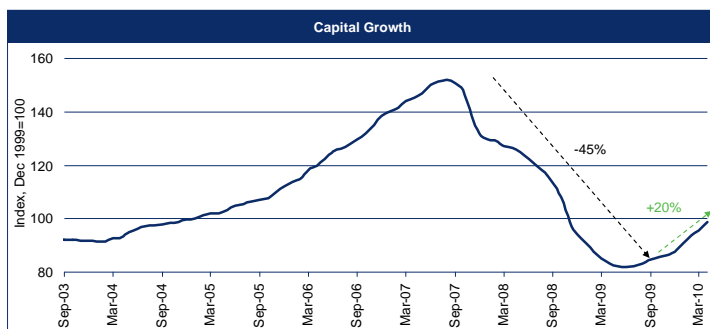
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London offices are leading the recovery, with 20% unlevered growth over the last 9 months. We expect a further improvement in London office values in 2010, prompted by investor demand, and more in 2011 and 2012 as a result of rising rental values.

Central London offices capital growth index

Values up 20% in last 9 months



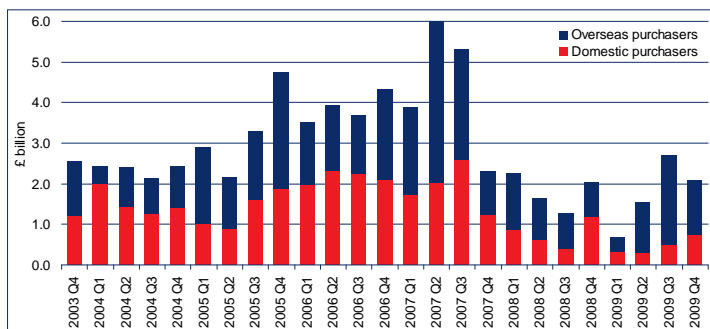
Source: CB Richard Ellis Monthly Index, 31 March 2010

..... Capital values are rising again



While financial markets continue to fret about the UK's deficit, expected cuts and tax rises, international investors (e.g. US and German funds, Middle Eastern investors and other sovereign wealth funds) have been big buyers of prime UK property, notably in London, over the last six months, attracted by the cheapness of Sterling and the UK's long leases and safe haven status.

Central London office investment transactions



Source: CB Richard Ellis, 31 December 2009

Driven by overseas buyers



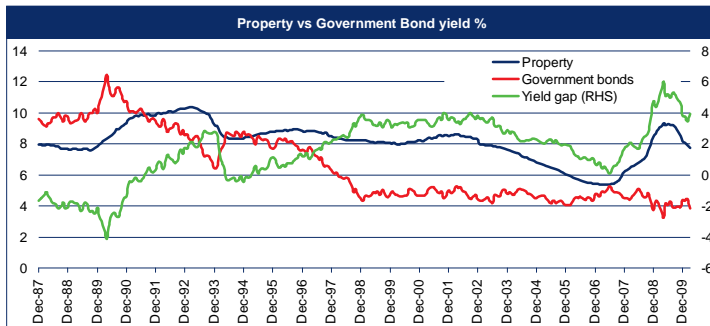
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Ten year Government bond yields have fallen since the election and now stand at 3.75%, and the all important five year swap rate has fallen from 3.1% to 2.6% - an all-time low. If sustained, interest rates at these levels are very supportive of the UK property market.

UK yield gap



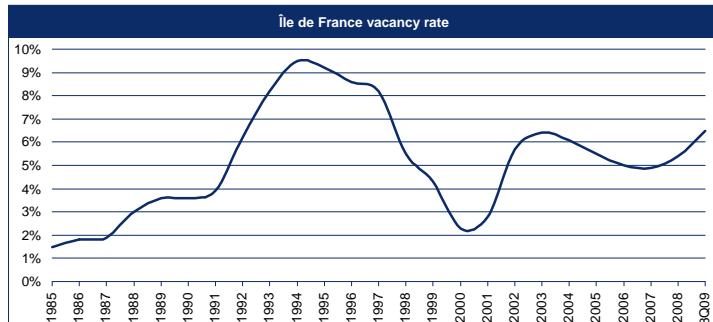
Source: Investment Property Databank, Henderson Global Investors
IPD All Property Equivalent Yield and FT 5-15 yr Gilt redemption yield
Data to 31 March 2010



In Europe, our only significant overweight is Sweden, where the Stockholm office market is relatively healthy and the economy is resilient. The Swedish Kronor is up 7% against the euro this year. Hence, the Fund has benefitted from outperformance of both the underlying stocks and the Swedish Krona relative to the Euro.

Vacancy in Paris, the largest office market in Europe, continues to rise, although we expect a recovery in 2011.

France: Paris Offices



Source: Evolution, 10 February 2010



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There have been no significant changes to investment activity since the crisis started because we believe that the cash flows of these companies are robust. In addition, the values of the underlying assets, most notably of the shopping centre specialists, will benefit from the pricing evidence created by a series of recent market transactions. The most significant of these deals is the purchase of the Cap3000 shopping centre in Nice for €450m by Altarea, ABP and Predica on a 4.65% initial yield.

3. So does the Fund have any exposure to Greece and the Mediterranean economies?

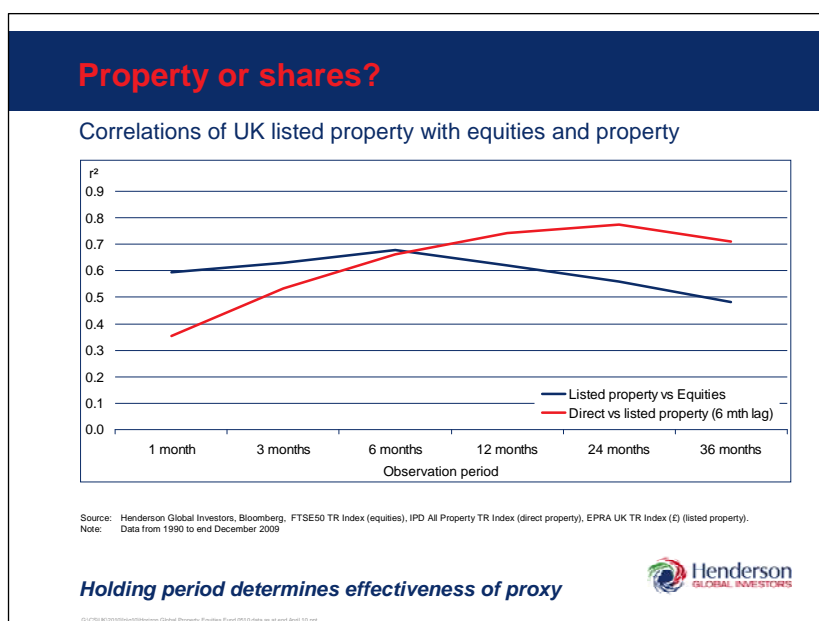
The Fund has limited exposure to Greece in particular and the Mediterranean economies in general. We only have two stocks with Greek exposure: Klepierre, which owns five shopping centers, worth around €100m, which represents 0.1% of their total portfolio; and Minoan, a small UK listed company which controls a resort development site in Crete. Taken together, these two holdings represent around 0.3% of the Fund's see-through property exposure.

Looking more widely, the Fund has direct exposure to Italy via IGD, a shopping centre specialist, and indirect exposure to Spain and Italy principally through Unibail-Rodamco, Corio, Eurocommercial and Foncière des Régions. In aggregate the Fund's see-through exposure to Italy is 3.5% (compared to 3.6% for the benchmark) and 1.8% to Spain (compared to 2.3% for the benchmark). Spanish retail is clearly performing poorly, although Q1 reports seem to suggest that the worst is past, and Italy is performing well, probably because of the impact of around €100bn of offshore capital being repatriated under a tax amnesty.

The Fund has no direct or indirect exposure to Ireland.

4. Are property shares still a good alternative to buying physical property?

This chart analyses UK data (the most reliable source of useful data) and shows how the correlations change as one compares performance over different periods.



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The longer the period, the more property shares behave like direct property and less like equities. The blue line shows the correlation of property shares with direct property, but with the shares data lagged by six months. This adjusts for the forward-looking nature of stock markets and the backward view of valuers.

The correlation of property shares with direct property levels off at a high 0.75 at two years, but the correlation is higher than that with equities after a little more than six months.

So if one looks at property shares in the same way as one looks at physical property (not very often), they appear to perform like physical property. Not to mention the liquidity, diversification and cost advantages of investing in shares. There are also three key elements for stock performance – dividend, growth in NAV or earnings and repricing.

Key investment risks to be considered before investing

- The Fund does not invest in real estate directly but it primarily invests in equity securities and equity instruments of companies or REITs (or its equivalent) which engaged in real estate businesses.
- Investments in the Fund are exposed to property-sector specific risk and varying degree of risks to economic, political, regulatory and social development changes in the EEA region.
- The Fund may invest substantial sum of its assets in companies located in a single country within the EEA region (including emerging market) and may involve a higher concentration of risk and market volatility, including liquidity risks for investments in emerging markets, than funds investing in developed markets and following a more diversified policy.
- Investments in the Fund involve varying degree of investment risks (eg. market, legal, financial, interest rate, currency, etc). In extreme market conditions, you may lose your entire investment in the Fund.
- The Fund may not be suitable for all investors. The intermediary who offers it to the investor should advise the investor why the product is suitable for him and how it is consistent with his investment objectives and meet his financial needs.

Note: The above investment risks summary may not have set out all the risks and other significant aspects involved in investing in the Fund. You are advised to read the Prospectus of the Fund for more details of the investment risks.

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