

Henderson Horizon Fund

# Asian Dividend Income Fund



## News Bytes for Henderson Horizon Fund – Asian Dividend Income Fund (the ‘Fund’)

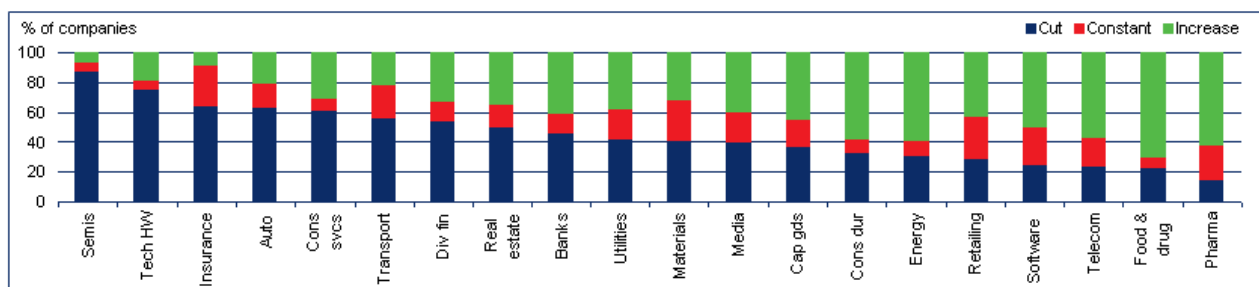
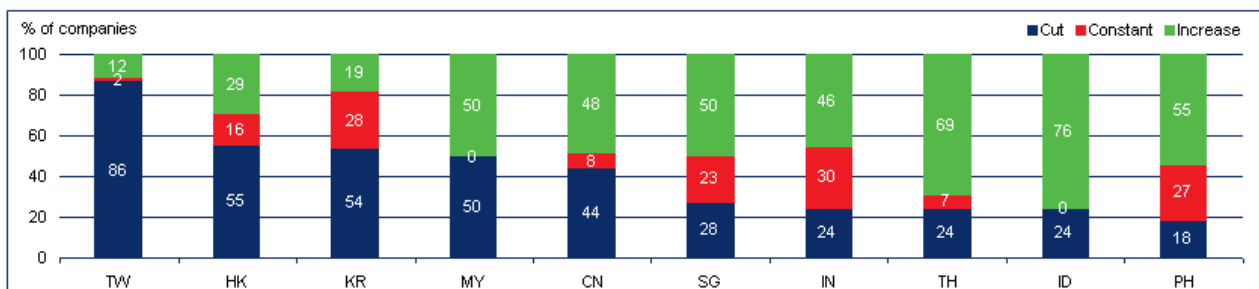
- Dividends are becoming a key contributor to total return on equities, and particularly in Asia, there has been a huge improvement of companies paying dividends.
- Today, 60% of Asian companies yield more than US 10 year Treasury bond yields. 39% of Asian companies yield more than their domestic 10 year bond yields. There are plenty of income opportunities between countries and sectors. In addition, countries such as China, Indonesia and Thailand are at the early stage of dividend culture, and dividend surprise maybe a catalyst for share price performance.

	Div yield % 2011	Div yield % 2012	Div growth
Australia	4.4	4.8	8.3%
China	2.9	3.1	6.5%
Hong Kong	3.8	4.4	13.6%
Indonesia	3.2	3.3	3.0%
India	1.8	1.9	5.3%
Korea	2.0	2.0	0.0%
Malaysia	3.4	4.3	20.9%
The Philippines	3.4	3.7	8.1%
Singapore	4.0	4.4	9.1%
Thailand	3.9	4.5	13.3%
Taiwan	4.5	4.9	8.2%
	3.4	3.8	9.7%

Source: CLSA

- Despite market uncertainty, and certain companies may cut dividends, it's interesting to note that even in the global financial crisis in 2008, there are companies in certain countries such as Indonesia, Philippines, Thailand that increase dividends. Hence, it is important to look for companies with sustainable and/or rising yield. The focus on quality high yield investments can provide a greater certainty of return over time.

## Dividends in 2008



Source: CLSA Asia-Pacific Markets, Factset – Nov 2011

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- From valuation perspective, Asian equities are good value on several metrics. Price to earnings multiples on Asian shares have fallen to around 10 times on an historic basis and just over 9 times forward, well below long-term averages. And dividend yields have risen sharply compared to bond yields which mean equities only require modest capital growth to provide an attractive return premium versus bonds.
- Using a high conviction, bottom-up stockpicking approach, the Fund consists of around 47 stocks, of which 50% of portfolio is focused on companies with high dividend yield and the remaining 50% of the portfolio focused on companies with income growth. What's interesting from the chart below is that value and growth shares have now converged. Construction company CTCI Corp, for example, has high dividend (6%) with high dividend growth (13%) and is performing well despite the tough environment.

Core stocks with high dividend yield	Dividend yield %
TELSTRA CORP LTD	12.7
GUANGZHOU R&F PROPERTIES	10.1
ADVANCED INFO SERVICE	10.1
MIZUHO FINANCIAL GROUP	8.7
VENTURE CORP	8.0
WISTRON CORP	7.9
MACQUARIE KOREA INFRA FUND	7.9
AUST AND NZ BANKING	6.8
ASCENDAS REAL ESTATE	6.7
KT CORP	6.6
PHILIPPINE LONG DISTANCE TEL	6.4
CTCI CORP	6.4
JIANGSU EXPRESS CO LTD-H	6.0
NWS HOLDINGS LTD	6.0
<b>Fund Average</b>	<b>5.1</b>

Income growth stocks	Dividend yield %	Growth
DONGYUE GROUP	2.2	181.1%
DIGITAL CHINA HOLDINGS LTD	2.7	62.6%
PETRONAS CHEMICALS GROUP	3.0	36.2%
KASIKORNBANK	2.1	32.6%
PHILIPPINE LONG DISTANCE	6.4	31.6%
KOREAN REINSURANCE	2.1	25.2%
SKYWORTH DIGITAL HLDGS	3.3	22.0%
CHINA CONSTRUCTION BANK	4.7	19.7%
IND & COMM BK OF CHINA	4.2	18.7%
YUANTA FINANCIAL HOLDING	5.0	15.6%
INCITEC PIVOT LTD	2.7	15.3%
LINK REIT	4.0	14.1%
AMCOR LIMITED	4.9	13.8%
CTCI CORP	6.4	13.2%
<b>Fund Average</b>	<b>5.1</b>	<b>10.1%</b>

Source: Henderson Global Investors, Bloomberg and broker estimates, as at 31 October 2011

The yield for core and income growth stocks is based on historic data and 1 year forward estimates respectively.

Note: References made to individual companies or stocks should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase in the Company. Past yield are not necessarily indicative of future or likely distribution.

- In terms of portfolio positioning, the Fund continues to be domestically focused, favouring themes such as banks, REITs, infrastructure, telecoms and has low exposure to energy, materials and technology.
- By countries, China offers most value and has the largest weighting (20%) in the portfolio. Singapore and Taiwan remain overweight positions, with key stock examples such as DBS, F&N, SingTel, Yuanta Financial, CTCI etc.
- For investors who are seeking for an attractive dividend yield, we remain confident in achieving potentially an annual yield of around 5% this year. The Fund achieved 6% last year, with a combination of core and income growth stocks and the selective use of call/put options via yield enhancement strategy.

Note: Dividend distribution applies to holders of Distribution Shares (A1) only. Dividend calculation dates are the last day of March, June, September and December. Annual dividend yield is based on the sum of the four quarterly dividend yield derived in a calendar year. The dividend yield is calculated based on the NAV price on record date. Positive distribution rate does not imply positive return. Past yield are not necessarily indicative of future or likely distribution.

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## Key investment risks to be considered before investing

- Investments in the Fund are exposed to varying degree of risks to economic, political, regulatory and social development changes in the Asia-Pacific region.
- The Fund may invest a substantial amount of its assets in companies located in a single country within the Asia-Pacific region (including emerging market) which 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.
- The Fund uses trading strategies that use derivatives which may be unsuccessful due to a number of reasons; including volatile market conditions, imperfect correlation between the movements in securities on which derivatives are based, lack of liquidity within markets and counterparty default risk.
- 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.

**Note:** You should not make investment decisions based solely on marketing materials. The above investment risks summary may not have set out all the risks and other significant aspects involved in investing in the Fund. You should read the Prospectus of the Fund for more details of the investment risks and seek independent professional advice where appropriate. Intended quarterly dividend distribution by the Fund and its derived yield are not guaranteed and subject to change without any prior notice.

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