

Henderson

# Horizon

Fund

## Fund Manager comments, October 2011

### Henderson Horizon Fund – American Equity Fund

#### Overview

US equities enjoyed a sharp rebound in October as European politicians made progress in shaping a long-term solution to the sovereign debt crisis and as US economic statistics continued to surprise to the upside. There was also merger and acquisition activity despite the frayed nerves brought about by events over the summer. The quarterly earnings season, although not as impressive as prior quarters, further aided sentiment as expectations had become overly depressed. The S&P 500 index closed the month with a total return of 10.9%, its best month in almost 20 years.

#### Performance and activity

Performance was boosted by a recovery in many of the stocks that had suffered the worst declines in the recent market sell-off. National Oilwell Varco, an oilfield services company, Tempur-Pedic, a premium mattress producer, and Celanese, a specialty chemicals producer, all moved sharply higher aided additionally as each reported better than expected earnings results. Anadarko Petroleum also outperformed after announcing a long awaited settlement with BP regarding the Macondo oil spill.

During the month we sold Sirona Dental Systems on concerns that a slowing global economy would impact demand for their dental equipment, especially in Europe where the company has a significant portion of their sales.

#### Outlook

Recent economic statistics indicate that the sharpest phase of the economic recovery is behind us. Going forward, progress is likely to be more restrained as year-over-year comparisons become tougher and as fiscal and monetary stimulus eases. However, as shown by recent quarterly earnings reports, the corporate sector remains in robust health with management teams seeing significant opportunities to further improve their cost structures and to make more efficient use of their strong balance sheets for future growth. With economic growth entering a more measured part of the cycle, stock picking will become more important, since those companies that can continue to deliver growth above expectations will be amply rewarded.

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# Horizon

Fund

## Henderson Horizon Fund – American Equity Fund (continued)

### Key investment risks to be considered before investing

- The Fund primarily invests its assets in equity securities and equity instruments of companies across a variety of sectors in North America, including Canada but excluding Mexico
- Investments in the Fund are exposed to varying degree of risks to economic, political, regulatory and social development changes in the region.
- Investments focused in a single country/region may carry higher concentration risk and market volatility than funds following a more diversified policy.
- Investments in the Fund involve investment risks (e.g. market, legal, financial, interest rate, etc). In extreme market conditions, you may lose your entire investment in the Fund.

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Henderson

# Horizon

Fund

## Henderson Horizon Fund - Asia-Pacific Property Equities Fund

### Overview

During the month of October a combination of bounce-back from the previous month's poor performance, the semblance of a solution in Greece and encouraging macroeconomic numbers from the US helped global markets rally strongly. In the Asian real estate markets the FTSE EPRA NAREIT Pure Asia Index clawed back a significant portion of the previous month's losses to gain 12.1% for the month. Leading the pack was China (+32.9%) and Hong Kong (+20.7%), which reversed heavy losses in spite of weakening physical markets (both in China where residential property prices fell in September and in Hong Kong where direct office rents declined on the quarter) as well as a value-destroying rights issue by New World Development. Singapore and Australia kept pace with the index, rising 13.3% and 13.1% respectively. Japan, which enjoyed a strong September, did not participate in the rally, managing only a 4.8% gain for the developers and a fall of 3.3% for the J-REITs.

### Performance and Activity

The fund underperformed the benchmark due to our cautious view on the increased risk of Chinese residential developers. However, the underperformance was mitigated by our preference for Japanese developers over J-REITs due to valuation differentials.

Given our cautious outlook, we reduced our cyclical Chinese exposure into the rally and continue to shun office names until valuations become more compelling. We continue to favour the retail sector at this point in the cycle.

### Outlook

Consistent with the theme of the year thus far, the fate of financial markets in coming months will continue to be predicated on events in the Eurozone. Although the conclusion of the latest Euro summit was greeted by predictable euphoria, we remain sceptical. Thus, we expect volatility to remain as the market re-focuses on the Eurozone's fundamental problems and the difficulties of executing the rescue package.

In Asia, against a backdrop of these weakening fundamentals and a series of equity-raises by companies that are designed to protect balance sheets whilst liquidity remains, we continue to be positioned towards less cyclical, liquid, top-tier names with relatively attractive valuations and robust balance sheets.

Henderson

# Horizon

Fund

## Henderson Horizon Fund - Asia-Pacific Property Equities Fund (continued)

### Key investment risks to be considered before investing

- The Fund does not invest in real estate directly but 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 Asia-Pacific region.
- The Fund may invest substantial sum of its assets in companies located in a single country within the Asia-Pacific 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 (e.g. market, legal, financial, interest rate, currency, etc). In extreme market conditions, you may lose your entire investment in the Fund.

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# Horizon

Fund

## Henderson Horizon Fund - Asian Dividend Income Fund

### Overview

Asia posted a strong rebound in October, rising almost 13% in US dollar terms. The announcement of a plan to sure-up Europe's sovereign debt crisis and hopefully put a line under contagion in the region was noticeably light on detail but was enough to prompt a move higher from significantly oversold levels. The markets were also encouraged by 'selective easing' announcements from China, designed to aid liquidity for the much beleaguered small and medium-sized enterprise sector. As a result, the Chinese market was one of the best performers alongside Australia and Korea, which were both bolstered by strongly-appreciating currencies. Financials and materials were the best sector performers, while telecommunications and utilities disappointed.

### Performance and activity

The portfolio slightly underperformed the index over the month as the contribution from China was offset by a lower weighting in Australia and a higher weighting in telecoms.

Over the month we bought Australia & New Zealand Banking Group and Hong Kong/China property developer Wharf. We also added Thai food producer CP Foods. These were funded by sales of Petrochina and Krung Thai Bank – the latter was disposed of due to the impact on earnings from the significant flooding in Thailand.

### Outlook

Asian markets are attractively valued over the medium to long term and we are using this period of uncertainty to add to preferred positions. In the short term, however, we expect markets to remain volatile while investors digest news flow over the problems in Europe and on global growth.

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# Horizon

Fund

## Henderson Horizon Fund - Asian Dividend Income Fund (continued)

### Key investment risks to be considered before investing

- The Fund primarily invests in a portfolio of equity securities and equity instruments of companies in the Asia-Pacific region for seeking an above benchmark dividend yield from the portfolio.
- 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 (e.g. market, legal, financial, interest rate, currency, etc). In extreme market conditions, you may lose your entire investment in the Fund.

**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. 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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# Horizon

Fund

## Henderson Horizon Fund – Asian Growth Fund

### Overview

Asian markets rebounded strongly in October from highly oversold levels. The main fundamental development was the growing evidence that the Chinese authorities have started to selectively ease monetary policy in response to the Eurozone crisis, increased evidence of distress in short term funding markets in China, and indications that domestic inflation is peaking. Similarly in India, the central bank indicated that this month's increase in interest rates would be the last for a while, and in Indonesia rates were cut for the first time in the current cycle.

### Performance and activity

The fund performed well in October led by Chinese shares. Zhuzhou CSR Times Electric rebounded very strongly on news that the Chinese government was stepping in to secure funding for the country's ambitious program of railway expansion. Sands China also performed well as it became clear that problems in the short term funding markets in China were having no impact on the continued growth in the Macau gaming market. The main negative was HTC in Taiwan, which underperformed following uncertainty surrounding the outcome of litigation involving alleged infringement of Apple patents, and third quarter results that fell below market expectations as a result of problems with the rollout of LTE service in the US.

Key purchases included Zhuzhou CSR Times Electric, China's dominant supplier of heavy duty electric motors for use in high-speed passenger and cargo locomotives. Times Electric is a high end, technology led company with an excellent track record for safety and reliability. The company is highly profitable and has a very strong balance sheet. The fund also added to Malaysian based AirAsia, which is the first mover in Asia's rapidly expanding low-cost airline sector. Low costs and rapid fleet expansion leave the company very well placed to pick off high volume routes run by inefficient state-owned carriers in the region.

### Outlook

As inflationary pressures subside we expect a more proactive response to the problems in Europe from Asian policymakers. We believe that the consensus is underestimating the ability of governments across Asia to respond to weaker global growth through more accommodative monetary and fiscal policies. While corporate earnings will remain mixed over the next few months, we believe that significant weakness has already been discounted by stock markets and further downside from here is only likely to be a result of external factors leading to a more general sell-off in global equities.

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# Horizon

Fund

## Henderson Horizon Fund – Asian Growth Fund (continued)

### Key investment risks to be considered before investing

- The Fund primarily invests in equity securities and equity instruments of companies in a variety of sectors across the Asia-Pacific region, excluding Japan.
- 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 substantial sum 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.
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# Horizon Fund

## Henderson Horizon Fund – China Fund

### Overview

Post a sharp drop in markets in August and September, global equity markets rallied strongly in October. The MSCI China Index rebounded by over 15% in the month. Oversold sectors such as financials, energy, consumer discretionary and materials outperformed the telecom and utilities sector in this 'risk-on' trade.

Apart from China Central Huijin Investment's move to acquire shares in Chinese banks, the government has also announced a trial programme to allow local governments to issue bonds directly. These announcements triggered a decent rally in Chinese bank shares.

China's inflation also started to show signs of easing and selective policies to support the SME (small and medium enterprises) sector have also improved investor sentiment towards China. October's Consumer Price Index inflation came in at 5.5% year-on-year, significantly below September's 6.1%. We think that the trend of a further fall in inflation into the fourth quarter and early next year is well established.

### Performance and activity

Massively oversold stocks such as Chinese banks, insurance companies, as well as metal and material companies have rebounded very strongly from their lows in October. Key contributors are Industrial and Commercial Bank of China, Ping An Insurance, Agricultural Bank and Brilliance China Automotive. Short positions such as Hong Kong & China Gas have also contributed positively to the performance as risk appetite improved. As a result, the Fund has recovered a lot of the recent underperformance in October.

Third quarter earnings reported by listed companies reflect the resilient fundamentals of the Chinese economy. For instance Evergrande Real Estate Group reported a 79% increase in contracted sales for September and management has expressed confidence in achieving their full-year contracted sales target, even though property policies remain tight. Overall, Chinese banks reported decent third quarter earnings growth driven by loan growth and fee income. Market volatility is however high, as sovereign fears in Europe continue to dominate news headlines.

### Outlook

We hold a constructive view towards the Chinese market especially since inflation seems to have peaked. This allows the government more room to fine tune monetary policies leading to a soft landing of the economy. We have seen new measures to support the SME sector and more loans being made available from banks in recent weeks. Sentiment towards equity markets could also improve if the situation in Europe calms down further.

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# Horizon

Fund

## Henderson Horizon Fund – China Fund (continued)

### Key investment risks to be considered before investing

- The Fund primarily invests in equity securities and equity instruments of companies listed in China, Hong Kong and Taiwan and may also invest in companies incorporated elsewhere that have significant assets, business, production, trading activity or other interests in China, Hong Kong or Taiwan.
- The Fund may invest a substantial amount of its assets in companies in China (emerging market) which may involve a higher concentration of risk and also may experience higher risks of economic, political, regulatory and social development changes. Investments in emerging market may be less liquid and more volatile than funds that invest in developed and more geographically diversified markets.
- The Fund uses trading strategies that use financial derivative instruments (“FDI”) 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.
- The Fund typically holds long and short positions mainly through the use of FDI combining with direct investments and its total gross market exposure may exceed 100%. Such investment strategy and the use of FDI are inherently volatile and depending on market condition, the Fund could potentially be exposed to additional risk and costs should the market move against it and incur losses consequently.
- Investments in the Fund involve varying degree of investment risks (e.g. market, legal, financial, interest rate, currency, etc). In extreme market conditions, you may lose your entire investment in the Fund.

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# Horizon

Fund

## Henderson Horizon Fund - Continental European Equity Fund

### Overview

The prospect of action to stem the European debt crisis led to strong returns for equity markets during October. Very little new detail emerged, but the excessively negative environment we identified last month had prepared investors for further disappointment. When this failed to materialise the conditions were set for the ensuing relief rally in equities, while German government bonds sold off.

### Performance and activity

Of particular note were the rises in Saipem, Saint-Gobain and Amadeus. Statoil also did well as further exploration on their recent North Sea find increased reserve estimates substantially. Novartis and KPN disappointed as they lagged the rising market.

Activity involved only the topping up of some positions.

### Outlook

The sharp recent rally has shown investors the dangers of being too bearish. This is welcome, but it remains a fragile environment where focusing on stock specific fundamentals provides direction for new ideas.

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# Horizon

Fund

## Henderson Horizon Fund - Continental European Equity Fund (continued)

### Key investment risks to be considered before investing

- The Fund primarily invests in equity securities and equity instruments of companies in a variety of sectors within the European Economic Area ("EEA"), excluding the United Kingdom.
- Investments in the Fund are exposed to 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 region which may carry higher concentration risk and market volatility than funds following a more diversified policy.
- Investments in the Fund involve varying degree of investment risks (e.g. market, legal, financial, interest rate, currency, etc). In extreme market conditions, you may lose your entire investment in the Fund.

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# Horizon

Fund

## Henderson Horizon Fund – Global Opportunities Fund

### Overview

Global equity markets bounced sharply higher during October, with investors switching from 'risk-off' to 'risk-on' positions as sentiment improved and volatility fell back. This resulted in the MSCI World Index rising 10.4% in US dollar terms. Markets were driven by improving US economic data and increasing confidence that Eurozone politicians would deliver a credible plan to alleviate the near-term pressure on banks and Greece. Despite this, the European Central Bank kept interest rates on hold as inflation rose to 3%. The Bank of England, however, viewed the lacklustre growth outlook as reason to reinstate quantitative easing with a £75bn bond-buying programme. In addition, Chinese economic data painted the picture of an increasingly slowing economy.

### Performance and activity

The fund outperformed the MSCI World Index during the month. By region, North America, Europe and Asia added the most value. By sector, stock selection in consumer discretionary, industrials and healthcare was also positive, offsetting weakness in information technology. At the stock level, strong results from specialist mattress provider Tempur-Pedic and railroad operator Kansas City Southern boosted North American returns. Anadarko Petroleum also outperformed after announcing a long-awaited settlement with BP regarding the Macondo oil spill. Luxury goods manufacturers Prada and Richemont also recovered after sharp declines in the third quarter, as did Sands China, as Macau gaming data continued to register strong growth. With fears over a disorderly Greek default reducing, economically sensitive holdings performed well; Singaporean conglomerate Keppel Corp; Italian oil services company Saipem and Anglo/Swiss miner Xstrata all rallied by over 20%.

### Outlook

Near-term focus will remain on Eurozone government debt problems and the capital adequacy of banks exposed to potential haircuts to this debt. This uncertainty is impacting economic growth, with economic data in Europe and Asia weakening. However, the US, with the exception of unemployment, appears to be on a more robust path. Recent market corrections arguably reflect much of this uncertainty and we could see equities firmer into year-end on positive corporate, economic or political news flow. Additionally, third quarter corporate earnings have generally remained robust (financials excepted) and narrow money liquidity indicators are turning positive in the US. In this uncertain environment we continue to invest in companies which we believe can grow their earnings and will attract a price premium.

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# Horizon

Fund

## Henderson Horizon Fund – Global Opportunities Fund (continued)

### Key investment risks to be considered before investing

- The Fund primarily invests in equity securities and equity instruments of companies in any geographic area in the world.
- Investments in the Fund are exposed to varying degree of risks to economic, political, regulatory and social development changes globally.
- The Fund may invest substantial sum of its assets in companies located in a single country (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.
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Henderson

# Horizon

Fund

## Henderson Horizon Fund - Global Property Equities Fund

### Overview

After several months of negative returns, equity markets rose steadily throughout October. European leaders reached an agreement on measures to contain the sovereign debt crisis which, while lacking in detail, were met with enthusiasm in financial markets. Newsflow in property equities continued at a steady pace: North American REITs were boosted by a positive start to the earnings season; markets in Asia rallied strongly after China posted reasonable September housing sales figures and the manufacturing sector showed signs of expansion. On a relative basis European property equities were the weakest, but still bounced, aided by positive trading updates from property companies. Overall, the FTSE EPRA/NAREIT Developed index increased 12.6% in US dollar terms.

### Performance and activity

The fund was slightly behind the index for the month. In the US, the largest detractor from performance came from the industrial sector, where a zero weighting in ProLogis was costly as it climbed more than 20%. Out-of-index communications tower company Crown Castle was also detrimental as it failed to rally with the broader market. Offsetting these effects, to some extent, were hotel names, where early indications of third quarter profits came in ahead of expectations in this space, Strategic Hotel Capital and Wynn Resorts added value. Within Asia, underperformance was due to our cautious view on the increased risk in Chinese residential developers. However, this was partially mitigated by a preference for Japanese developers over the J-REITs. Stock selection in Europe was particularly strong with overweight positions in the UK and Scandinavia proving positive. In the UK, Derwent London was amongst the best performers. In Sweden, residential house builder JM reacted strongly to solid third quarter results and was also aided by the Riksbank indicating further rate rises would be delayed.

The fund retained the regional allocation established last month: an overweight position in North America, an underweight in Asia and an equal weight in Europe. Given the uncertainty in the Eurozone, we maintained our overweight position in the UK. Our preference is for larger, more liquid stocks and we added to holdings in Land Securities and Hammerson. In Asia, we reduced our Chinese exposure, closing our position in China Overseas Land and Investment and reducing Hang Lung Properties and Perennial China Retail Trust. In Japan, we trimmed Mitsui Fudosan and Nomura Building Fund, crystallising some profit. We did not make any significant changes to the North America portfolio. We increased exposure to Canada, adding to Whiterock, Crombie and Dundee. We also took some profits in the US multi-family sector after a strong rally, trimming Apartment Investment & Management and Mid-America Apartment Communities.

### Outlook

The outlook for global economic growth has deteriorated further over the summer months and the need for governments to de-lever is likely to make any recovery protracted. This will have negative effects on employment and consumer expenditure, which, in turn, will have an impact on the demand for property. However, the effects will not be symmetrical. Some assets and companies will do relatively well and, in an uncertain market, prime assets are likely to remain a safe haven for both investors and tenants. Management initiatives will also be key to rents and earnings in the years ahead. Equity market volatility is likely to persist in the coming months, but we take comfort in the dividends of the sector and the fact that listed property companies are, in most cases, in a strong position to take advantage of the opportunities presented by banks, receivers and others.

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# Horizon

Fund

## Henderson Horizon Fund - Global Property Equities Fund (continued)

### 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 globally.
- The Fund may invest substantial sum of its assets in companies located in a single country (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.
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Henderson

# Horizon

Fund

## Henderson Horizon Fund - Global Technology Fund

### Overview

Equity markets rallied during October as hope of a resolution to the European debt crisis gathered momentum. In this environment, technology performed broadly in line with the wider market after significantly outperforming during the down markets of the last few months. The Henderson Horizon Global Technology Fund slightly outperformed its benchmark this month.

### Performance and activity

The strongest source of outperformance this month came from the internet software & services and computer hardware sectors. The internet & catalogue retail sector detracted from performance in October.

Earnings reporting season started generally well with a number of the fund's holdings reporting strong growth. F5 Networks posted robust revenue growth, benefiting from an increase in US corporate capital expenditure levels. Sandisk, a recent addition to the portfolio, also reported strong revenue growth as a result of a strengthening in demand for NAND. Elsewhere, the Chinese internet names, Baidu and Netease, outperformed as strong results overcame investor fears concerning the wider Chinese equity market. Detractors from performance this month came primarily from the e-commerce themed stocks. Netflix, guided revenues down for the next quarter based on weakness in the DVD subscriptions whilst Amazon also guided for an expected slowdown in their revenue growth. Both positions were subsequently exited.

During the month, the fund bought back into Fusion IO, as its valuation again became attractive. The company is a pioneer of a new storage memory platform that significantly improves the processing capabilities within data centers. Positions exited during the month included Polycom, which reported slowing revenue growth due to increased competition and Broadcom due to significant concerns on future market share.

### Outlook

As we previously suggested, the desperation of policy makers has indeed led to a near term response to prop up the ailing Eurozone, which has helped markets to rebound from oversold levels. It seems increasingly likely that further policy responses will be added globally to "kick the can" further down the road, which should add some near term support to markets albeit without solving the longer-term issues. One positive factor is that economic data in the US seems to be improving slightly. The technology sector had a generally better earnings season than was feared; this has contributed short-term support but it should be noted that IT budget cuts are likely to hit in 2012 rather than now. Our strategy remains to not make any major macroeconomic calls but to focus on companies with under-appreciated growth or barriers to entry at attractive valuations.

Henderson

# Horizon

Fund

## Henderson Horizon Fund - Global Technology Fund (continued)

### Key investment risks to be considered before investing

- The Fund primarily invests in equity securities and equity instruments of technology related companies globally.
- Investments in the Fund are exposed to technology sector-specific risks and varying degree of risks to economic, political, regulatory and social development changes globally.
- The Fund may invest substantial sum of its assets in companies located in a single country (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.
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# Horizon

Fund

## Henderson Horizon Fund – Industries of the Future Fund

### Overview

Global markets rose sharply in October as companies started to report quarterly earnings and macroeconomic concerns were seen to have been overplayed in the short term. There was also some relief as a deal emerged to 'save the euro' and recapitalise European banks, though this was thrown into doubt at the end of the month by the Greek decision to call a referendum. Japan lagged other major equity markets over the month.

### Performance and activity

Cyclical sectors were once again the top performers, led by Energy and Materials, with Industrials and Financials not far behind. Some of our Industrial companies in the Efficiency theme performed well as they reported figures and benefited from the shift in market sentiment. These included: Johnson Controls, Acuity Brands, Agilent and NetApp. Within the Health theme, speech recognition company Nuance was strong as it pre-announced results and benefited from the focus on the new iPhone 4S Siri functionality. Robotic surgery company Intuitive Surgical also rose on reporting strong figures. Foam mattress manufacturer Tempur-Pedic (Quality of Life) also rose on reporting strong figures as did rear-view mirror company Gentex (Safety). Battery separator company Polypore (Sustainable Transport) was weak on concerns about start-up costs of its various capacity expansion plans and expectations of electric vehicle customer take-up. Video conference company Polycom (Sustainable Transport) reported disappointing figures, raising fears of increased competition, which saw the shares sell off. Disease management company Healthways (Health) announced that its largest customer is not renewing its contract, causing a sharp drop in the share price even though the company is seeing good take up of new business elsewhere. Some of the fund's Japanese holdings were weak as analysts factored in the effect of a strong yen on their forecasts, including Sysmex, Shimano, and Keyence.

### Outlook

The market is likely to remain volatile with sentiment shifts on the European sovereign debt crisis. Companies we hold have strong balance sheets and have emerged from the last recession much leaner than before, having cut costs aggressively. The secular growth drivers of the themes remain very much in place and we expect continued strong demand for solutions to sustainability challenges.

Henderson

# Horizon

Fund

## Henderson Horizon Fund – Industries of the Future Fund (continued)

### Key investment risks to be considered before investing

- The Fund primarily invests in equity securities and equity instruments of companies that enable an environmentally sustainable and socially responsible economy.
- Investments in the Fund are exposed to varying degree of risks to economic, political, regulatory and social development changes globally.
- The Fund may invest substantial sum of its assets in companies located in a single country (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.
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# Horizon

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## Henderson Horizon Fund - Japanese Equity Fund

### Overview

It was an eventful time for equity markets around the world. While moves were made to quell the political fires raging within Europe and the US debated further stimulator measures, Japan had its own fair share of headlines to grapple with. The most sensational was the furore surrounding Olympus following the hasty yet honourable exit of their recently appointed foreign chief executive officer (CEO). As a result an investigation into the company's activities may ensue, which could bring further pressure on the already depleted share price. Investors also had to contend with flooding in Thailand and the impact on production for the most affected Japanese industries, notably technology and autos. The yen rose to yet another high against the US dollar in anticipation of further Federal Reserve (Fed) easing before the Japanese authorities intervened, which propelled the currency weaker, although for how long, remains to be seen. Despite this difficult backdrop the market rallied from the month's lows to finish flat on the month.

### Performance and activity

There were some eye-catching gains within the technology sector where share prices had fallen sharply in previous months. The recent addition to TDK and the introduction of a position in THK last month worked to the fund's advantage with both stocks rising just shy of 20%. Positions which had been performing well sat back as the market rallied. The share prices of Keyence (machinery), Rakuten (online retail), Sekisui Chemical and Yamato Holdings (logistics) slipped although fundamentals within their respective businesses remain solid.

Having made a number of changes to the portfolio in the previous month, no notable changes were made this month. The changes made last month have worked to the fund's advantage with additions to high beta positions performing strongly while the defensive holdings disposed of proved lacklustre.

### Outlook

Markets have rallied sharply following the agreement within Europe to address the rather obvious yet pressing problems within the region. One senses that the moves in the markets have not been driven by a wholesale uplift in confidence but merely reflect just how suppressed sentiment had become beforehand. While the recovery in Japanese equities has lagged recent gains elsewhere, share price movements within the market have in some cases been spectacular, playing out what might be termed a cyclical move within the space of a couple of weeks. The fund had made adjustments in anticipation of an improvement in markets and while remaining positive at this juncture, individual stock gains are unlikely to be as impressive as some of those just witnessed.

Henderson

# Horizon

Fund

## Henderson Horizon Fund - Japanese Equity Fund (continued)

### Key investment risks to be considered before investing

- The Fund primarily invests its assets in equity securities and equity instruments of large and small companies across a variety of sectors in Japan but largely weighted towards companies of large market capitalization.
- The Fund may invest in OTC markets which are operated and regulated differently from other regulated markets and accordingly carry higher risks.
- Investments in the Fund are exposed to varying degree of risks to economic, political, regulatory and social development changes in Japan.
- Fund's investment focus on a single country may carry higher concentration risk and market volatility, including liquidity risks for investments in smaller companies, than funds following a more diversified policy.
- Investments in the Fund involve investment risks (e.g. market, legal, financial, interest rate, etc). In extreme market conditions, you may lose your entire investment in the Fund.

**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.

Henderson

# Horizon

Fund

## Henderson Horizon Fund - Pan European Alpha Fund

### Overview

The prospect of action to stem the European debt crisis led to strong returns for equity markets during October. Very little new detail emerged, but the excessively negative environment we identified last month had prepared investors for further disappointment. When this failed to materialise the conditions were set for the ensuing relief rally in equities, while German government bonds sold off.

### Performance and activity

Returns were driven by the long book, while shorts detracted from performance. Overall the balance of the fund is significantly net long and we enjoyed healthy gains in the month. Of particular note were the rises in Saipem, Adecco, Ladbrokes and Amadeus. Statoil also did well as further exploration on their recent North Sea find increased reserve estimates substantially. Only Novartis and KPN disappointed in the long book. In the short book Vestas delivered yet another profit warning, one of their more obtuse in our opinion. The scale and content of the announcement makes us doubt it will be the last and we have retained our position.

Having previously increased long exposures during September, we added just one new holding in CRH during the current month. This is in recognition of the fact that half of their business is in the US where signs are emerging of a more favourable environment for the construction industry. Other activity in the long book included adding to BP as they finally get back to drilling in the Gulf of Mexico and have outlined the future strategic direction of the group. We also bought more Vivendi and BSkyB. Short activity was limited to small reductions in positions as the market rallied, but the overall shape of the short book remains the same.

### Outlook

The recent sharp rally has shown investors the dangers of being too bearish. This is welcome, but it remains a fragile environment where focusing on stock specific fundamentals provides direction for new ideas – both long and short.

Overall we are net long and expect to remain so as this is where we are finding the most compelling ideas on any reasonable investment horizon.

Henderson

# Horizon

Fund

## Henderson Horizon Fund - Pan European Alpha Fund (continued)

### Key investment risks to be considered before investing

- The Fund primarily invests in equity securities and equity instruments of companies across a variety of sectors in the European Economic Area (“EEA”), including UK.
- Investments in the Fund are exposed to varying degree of risks to economic, political, regulatory and social development changes in the EEA region.
- The Fund uses trading strategies that use financial derivatives instruments (“FDI”) 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.
- The Fund, mainly through the use of FDI combining with direct investments, may hold long and short positions. For short positions, the value of the Fund will be adversely affected if the value of the investment rises. Such investment strategy and the use of FDI are inherently volatile and depending on market condition, the Fund could potentially be exposed to additional risk and costs should the market move against it and incur losses consequently.
- Investments in the Fund involve varying degree of investment risks (e.g. market, legal, financial, interest rate, currency, etc). In extreme market conditions, you may lose your entire investment in the Fund.

**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.

Henderson

# Horizon

Fund

## Henderson Horizon Fund - Pan European Equity Dividend Fund

### Overview

European equity markets rose during October, as steps were made towards resolving the Eurozone sovereign debt crisis. Economic data during the month was mixed; US GDP data surprised to the upside with 2.5% year-on-year growth, however European inflation and unemployment data continues to be weak.

### Performance and activity

One of the best fund performers across the month was integrated oil firm Eni, which benefited from a large gas discovery in offshore Mozambique that can add to production over the long-term. Also amongst the top performers was Deutsche Post, after a decision from the German regulator that should allow the firm to put price increases through from next year, which has increased investors' confidence in future earnings. Amongst the worst performers this month was Marine Harvest, the salmon producer, as salmon prices continue to be suppressed by over-supply.

A new position was added in Eurocommercial Properties, the European shopping centre owner, as it benefits from strong market positions in the countries in which it operates and has a low vacancy rate, both of which should allow it to sustain its dividend. The fund's position in Bayer was sold, as our positive expectations for a drug in the final stage of clinical trials has not been realised. The fund's position in France Telecom was reduced due to opportunities for better earnings growth elsewhere. We also reduced some positions that have performed well, to enable us to take advantage of market opportunities as they arise.

### Outlook

While Eurozone leaders are taking steps to resolve the sovereign debt crisis, the market could be disappointed as further details emerge later on in the year. However, despite the ongoing macroeconomic uncertainty, many of the companies within our portfolio are still generating earnings growth, and we are comfortable with corporate balance sheets and dividend cover. On consensus earnings forecasts, equity valuations remain attractive.

Henderson

# Horizon

Fund

## Henderson Horizon Fund - Pan European Equity Dividend Fund (continued)

### Key investment risks to be considered before investing

- The Fund primarily invests in a portfolio of equity securities and equity instruments of companies across a variety of sectors in the European Economic Area (“EEA”) for seeking an above benchmark dividend yield from the portfolio.
- Investments in the Fund are exposed to 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 which may involve a higher concentration of risk and market volatility than funds following a more diversified policy.
- Investments in the Fund involve varying degree of investment risks (e.g. market, legal, financial, interest rate, currency, etc). In extreme market conditions, you may lose your entire investment in the Fund.

**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.

Intended semi-annually dividend distribution by the Fund and its derived yield are not guaranteed and subject to change without any prior notice.

Henderson

# Horizon

Fund

## Henderson Horizon Fund - Pan European Equity Fund

### Overview

October's market strength came in marked contrast to the weakness of the prior month. Gains were seen across most asset classes including developed and emerging market equities, credit and commodities. The month benefited from hopes of a comprehensive solution at the EU summit, at which politicians exceeded what were admittedly low expectations. However, the last day of the month delivered the unwelcome news that Greece was submitting the European bail-out plan to a referendum.

### Performance and activity

We have added Burberry after the shares pulled back on concerns of a hard landing in China. We met with management in September and are confident in the growth outlook for the company. Also new to the portfolio is the UK publisher Reed Elsevier. We sold our positions in Admiral and Glencore, which respectively reduces our weightings in the insurance and materials sectors. The best performing stocks were BP, which announced a resumption of drilling in the Gulf of Mexico, and Saipem, the oil services company, as well as resurgent cyclical names such as BMW. We also had good news from one of our largest holdings, SAP, the software group, which reported that the third quarter was 'the best quarter in 10 years'. More defensive healthcare exposure such as Roche and portfolio stalwart Essilor lagged the strong move higher in markets. We remain with a significant underweight in the financials sector. The fund performed well during the month finishing comfortably ahead of the benchmark.

### Outlook

News of the Greek referendum severely disrupts much of the good work that came out of the EU summit and it is not yet clear how this will impact the bailout plan. However, even without the Greek surprise our view was that much remains to be done and that the decisions arrived at during the EU summit only represent a positive step towards resolution, not resolution itself. Our base case remains a low growth economic environment punctuated by bouts of market volatility. Ultimately resolution will be found but patience and indeed endurance will be necessary along the way.

Henderson

# Horizon

Fund

## Henderson Horizon Fund - Pan European Equity Fund (continued)

### Key investment risks to be considered before investing

- The Fund primarily invests in equity securities and equity instruments of companies across a variety of sectors in the European Economic Area (“EEA”).
- Investments in the Fund are exposed to 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 which may carry higher concentration risk and market volatility than funds following a more diversified policy.
- Investments in the Fund involve investment risks (e.g. market, legal, financial, interest rate, etc). In extreme market conditions, you may lose your entire investment in the Fund.

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Henderson

# Horizon

Fund

## Henderson Horizon Fund - Pan European Property Equities Fund

### Overview

After several months of negative returns, European equity markets staged a rally during October. Following months of negotiation, the region's leaders reached an agreement on measures to contain the sovereign debt crisis, which, while lacking in detail, were met with enthusiasm in financial markets. Activity in direct property markets continued at a steady pace: Unibail-Rodamco announced the acquisition of a shopping centre in Barcelona, while on the funding side, UK residential player Grainger signed new debt facilities, significantly improving their financial profile. Property equities rallied on the back of a clearer direction for the European region and positive trading updates from listed players. Overall, the FTSE EPRA/NAREIT Developed Europe Capped Net index increased 5.8% in euro terms.

### Performance and activity

The fund outperformed the index in October, with overweight positions in the UK and Scandinavia proving beneficial. In London's West End, Derwent London was amongst the best performers, with Great Portland Estates and Shaftesbury also adding value. In Sweden, the share price of residential house builder JM reacted strongly to solid third quarter results and was further aided by the Riksbank indicating further rate rises would be delayed. Elsewhere in the Nordics, holdings in Sponda (Finland) and Norwegian Property (Norway) performed well. In France office player Icade outperformed the index, having been sold off sharply over the summer.

Activity in the fund was muted over the month, as equity markets were in holding pattern as they waited for a decision from European leaders. We rearranged our position in Dutch retail players, reducing our overweight in Eurocommercial in return for an increased position in Corio, which was trading at a more attractive valuation. In Scandinavia, we built on our holdings in Wihlborgs (Sweden), while trimming Castellum (Sweden), Norwegian Property (Norway) and Technopolis (Finland). Elsewhere we added to German residential landlord GSW in an attractively-priced share placing.

### Outlook

The outlook for economic growth in the Eurozone has deteriorated further over the summer months and the need for governments to de-lever is likely to make any recovery protracted. This will have negative effects on employment and consumer expenditure, which, in turn, will have an impact on the demand for property. However, the effects will not be symmetrical. Some assets and companies will do relatively well and, in an uncertain market, prime assets are likely to remain a safe haven for both investors and tenants. Management initiative will also be key in order to drive rents and earnings in the years ahead. Equity market volatility is likely to persist in the coming months, but we take comfort in the dividends of the sector and the fact that listed property companies are, in most cases, in a strong position to take advantage of the opportunities presented by banks, receivers and others.

Henderson

# Horizon

Fund

## Henderson Horizon Fund - Pan European Property Equities Fund (continued)

### 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 (e.g. market, legal, financial, interest rate, currency, etc). In extreme market conditions, you may lose your entire investment in the Fund.

**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.

Henderson

# Horizon

Fund

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