

Henderson

# Horizon

Fund

## Fund Manager comments, December 2011

### Henderson Horizon Fund – American Equity Fund

#### Overview

US equities moved higher in December as domestic economic statistics continued to improve. The unemployment rate dropped to its lowest level in over two years whilst there were also positive signs from the housing market. The positive sentiment was once again dampened by concerns in Europe, where despite various measures being taken by the politicians and the European Central Bank to address the sovereign debt issues, investors were not convinced that enough was being done. The S&P 500 Index closed the month with a total return of 1%, and ended the year with a total return of 2.1%.

#### Performance and activity

Performance was held back by stock-specific issues as well as a shift within the energy sector towards lower beta oil majors, where the portfolio is underweight. DirecTV, the satellite TV provider, moved lower on concerns over rising programming costs, and Emerson Electric, the industrial conglomerate dropped after reporting weaker-than-expected order trends.

During the month we added General Electric and Las Vegas Sands. General Electric, the industrial conglomerate, has suffered in recent years due to its financial exposure through GE Capital, which having gone through a significant deleveraging process is now poised to resume paying dividends back to the parent company. We initiated a position as the stock is now trading at a significant discount to the market, as opposed to its historical premium, and fundamentals are set to improve. We added Las Vegas Sands, a casino operator, owing to strong trends at its Singapore casino, the potential for improving market share in its Macau operations, and the prospect of a recovery in Las Vegas. These purchases were funded via the sale of Goodrich, the aerospace parts manufacturer, which has agreed a takeover offer from United Technologies.

#### Outlook

Recent economic statistics show that the US economy is exhibiting impressive resilience, a performance that is all the more notable given the headwinds from the eurozone crisis. The recovery looks set to continue in 2012, with fiscal tightening as prior stimulus measures come to an end are likely to be offset by continued loose monetary policy. Corporate profits remain robust, and notwithstanding a broader slowdown in economies outside of the US, will continue to improve and enable US equities to maintain their safe haven status. In a relatively anaemic growth environment, we continue to believe that bottom-up stock picking will become more important since those companies that can continue to deliver improving returns and 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

Risk appetite returned for the month of December for two reasons. First, a temporary semblance of stability was restored in Europe as central banks around the globe engaged in a coordinated response to provide US dollar liquidity to European banks. Second, the market increasingly discounted an inflexion point in the Chinese monetary tightening cycle following the cut to the bank reserve requirement ratio at the end of November, coupled with economic data which suggested a marked slowdown in economic activity in China. Nonetheless, the FTSE EPRA NAREIT Pure Asia Index was down 1.7%, pulled lower by the 6.2% fall in Japanese developers, despite attractive valuations and benign newsflow. In contrast, the higher beta Chinese property stocks outperformed (+6.4%) on the back of increasing hopes of a policy turnaround. Hong Kong developers (+5.0%), with a material exposure to China, were close behind. Australia (-2.8%), being more defensive, lagged behind in the race for beta. Unsurprisingly, Singapore (-7.9%) was the worst performer for the month as the government introduced a punitive set of property measures to cool the residential market by imposing additional buyers stamp duty on property purchases. Outside core markets, Indonesia proved to be the best performer on the back of a positive inflation print (3.8%) and the approval of a land acquisition bill, which will improve the speed and execution of property development.

### Performance and Activity

The fund underperformed the benchmark due to our cautious outlook on the increased risk of the Chinese residential sector, as well as our preference for Japanese developers, which were out of favour over the month.

No major changes to the portfolio were undertaken for the month and we retain our preference for large, blue chip quality names.

### Outlook

We enter 2012 cautiously optimistic expecting volatility to remain with macro events (centering around Europe) to continue to dominate equity markets. We believe that the threat of a funding risk within European banks has receded somewhat post the ECB easing through an increase in liquidity in the European banking system. With expectations of an absolute resolution on the Euro crisis already low, share prices in Asian property already reflect a lot of negative news. It is also pertinent to note that property supply fundamentals, in most markets, are much more favourable than in previous cycles.

Against the backdrop of weakening global demand coupled with domestic tightening, China's policy response this year may detract from a long run ideal of a consumption centric model in pursuit of short term pragmatism. Thus, to safeguard the current economic structure, we expect credit easing to happen some time this year, albeit to a smaller extent to that seen in 2009.

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# 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.
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# Horizon

Fund

## Henderson Horizon Fund - Asian Dividend Income Fund

### Overview

Asian markets closed a difficult year with a modest rise in December as uncertainty over Europe was counteracted by stronger seasonal retail sales from the US. Stubbornly-high inflation and a weakening growth profile negatively impacted the Indian market, which continued its underperformance against the region. China had a much better month as resilient economic data and more accommodating noises emanating from Beijing caught investors' attention. Sector returns were a mixed bag with some cyclical sectors such as technology doing well while energy and materials lagged. Defensives were also confusing with consumer staples underperforming while telecoms and utilities moved ahead.

### Performance and activity

The portfolio outperformed the index over the month rising by 2.4% compared to 1.2%, benefiting from the strong performance of China and Thailand and the zero position in India.

Over the month we sold our positions in electronics providers Wistron and Venture; in terms of new positions, we added Hong Kong property developer Sun Hung Kai to the portfolio owing to compelling valuations and a more positive outlook for 2012.

### 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 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.
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**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 were broadly flat in December with gradually improving economic data from the US offset by continuing problems in the eurozone. Within Asia, investors were attempting to balance the prospect of lower inflation and further policy easing against the negative impact of slower economic growth. India was the standout underperformer of the month as data indicated a sharp drop off in economic activity as well as sticky inflation and high interest rates. Malaysia, the Philippines and Indonesia were the best performing markets as they continued to benefit from strong domestic growth, relatively modest inflation and firm currencies.

### Performance and activity

Fund performance was behind the benchmark index largely on stock selection, with negative contributions from Chinese railway rolling stock company Zhuzhou CSR on disappointing 2012 government spending plans, as well as Hong-Kong-listed Prada, which was hurt by fears about tighter controls over Chinese consumers spending money overseas. The main positive contributions came from Taiwanese smartphone plays HTC and Foxconn, mainly in anticipation of significant growth in China over the next 12 months.

ICICI Bank in India was sold as it became clear that non-performing loans across the Indian banking sector were rising. The proceeds were spent in topping-up existing positions in Korean smartphone gaming company Gamevil, as well as Chinese property.

### Outlook

The first few months of 2012 are likely to remain volatile as economic uncertainty remains very high. As the extent of further problems in Europe becomes clear and policymakers in Asia react to slower growth in the region, we expect that markets should move higher over the remainder of the year.

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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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Fund

## Henderson Horizon Fund – China Fund

### Overview

After the Chinese central bank announced a 0.5% reduction in the required reserve ratio (RRR) for domestic banks (the RRR now stands at 21% for big banks and 19% for small banks), the MSCI China Index rebounded strongly. Though the market pulled back subsequently with very low trading volume during the holiday season, the MSCI China Index ended December with a 2.5% gain.

Financials, information technology and industrials delivered strong returns this month, while consumers and materials underperformed.

Macro economic data weakened modestly and inflation continued to trend down from 5.5% in October to 4.2% in November. Lower inflation has given policymakers more flexibility to roll out structural reforms, which have been put on hold for fear that they will contribute to inflation. For instance, the government has for the first time released more details for a natural gas price mechanism for city gas supplies. Also in early January, the state council increased the threshold of the windfall profit tax for oil majors from \$40 to \$55/bbl. Those policies have had a positive impact on the equity market.

### Performance and activity

The fund underperformed this month. Our overweight in banks was the major contributor this month. With signs of monetary easing from the government, concerns on non-performing loans have eased, propping up the share prices of banks from very depressed valuation levels. The major detractors were selective stocks such as Baidu, China Coal and Yantai Changyu which had performed well earlier in the year. The fund's short position in Delta Electronics also detracted from performance. Even though the stock has already corrected around 50% from its peak in early 2011, we still expect further earnings disappointment and have thus held on to our short position.

### Outlook

Market conviction remains very low at this point of the time. The slowdown in economic growth has been priced in by the market to a certain extent. At the same time monetary loosening is already underway with December's new loan growth at RMB 641bn, surpassing consensus estimates. We think the hard-landing risk, which worried the market significantly in the third quarter of 2011, has been greatly reduced. Though we do not expect a repeat of the 2008-2009 style stimulus package, we think that market liquidity should gradually improve as will investors' sentiment.

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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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## Henderson Horizon Fund – Euroland Fund

### Overview

During the month the portfolio returned 2.6 against the benchmark loss of 0.3.

The month started with continued concerns over the future of the euro but ended with investor fatigue as markets rallied (on thin volumes) into the end of the year.

Early in the month (just ahead of the Brussels summit) the S&P put 15 eurozone countries, including Germany, on notice that their individual debt ratings could be cut.

The aforementioned Brussels summit saw Britain alienate fellow EU members as it was perceived to put national interests ahead of European needs. Nevertheless European leaders agreed in principle to adopt new sanctions on eurozone countries that break debt rules. The problem is in the detail of enforcement and the ability of governments to ignore such rules in exceptional circumstances. Who defines what is exceptional? Additional measures agreed included a commitment to provide up to €200bn to the IMF, to exclude private bondholders from future sovereign restructurings and accelerated implementation of the ESM (European Stability Mechanism).

While disappointing in their totality, these measures were deemed sufficient by the ECB to merit extending and expanding its LTRO (Long Term Relief Operation) to a three year term and widen the collateral accepted for loans under the scheme. This could potentially allow banks to refinance and engage in a profitable carry trade via European sovereign debt, borrow at 1% from the ECB and invest in higher yielding domestic sovereign debt. The ECB cannot legally fund peripheral debt but it can fund banks! While nothing in life is certain, the business risk associated with financial stocks does appear to have been somewhat reduced.

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# Horizon

Fund

## Henderson Horizon Fund – Euroland Fund (continued)

### Key investment risks to be considered before investing

- The Fund primarily invests in equity securities and equity instruments of companies in countries having adopted the Euro as its national currency (the “Eurozone”) in the member state of the European Monetary Union.
- Investments in the Fund are exposed to varying degree of risks to economic, political, regulatory and social development changes in the Eurozone 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.
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Fund

## Henderson Horizon Fund – Global Opportunities Fund

### Overview

Global equity markets managed to finish a volatile 2011 on a positive note, returning 1.2% in sterling terms for the MSCI World index during December; although this leaves the index with a decline of 4.3% for 2011 as whole. While investors still fretted about the possibility of a hard landing in China, better housing and employment data from the US, where the 2011 return was actually positive, and action by the European Central Bank (ECB) to improve liquidity at banks – through offering €500bn of low interest, three year loans – underpinned a return of investor risk appetite heading into the festive season.

### Performance and activity

The fund underperformed the MSCI World index during the month with stock selection in consumer staples and industrials the main negative contributors offsetting a positive contribution from materials.

At the stock level, in the US, the position in infant food producer Mead Johnson Nutrition was negative as the stock fell sharply on concerns about the safety of its baby formula Enfamil. The company was later given the all clear by the US Food and Drug Administration (FDA) and the share price has recovered. Within the technology sector, disappointing results from software producer Oracle impacted the position in German software company SAP. Strong sales and increased expectations for 2012 products, however, underpinned Apple shares. Additionally, economically exposed Praxair and UPS also performed strongly.

During the month we reduced the position in SAP on concerns over delays to contract approvals following Oracle's weak results.

### Outlook

We expect the volatility that was apparent in 2011 to continue into 2012 as the investment outlook remains uncertain. Undoubtedly, near-term focus will continue to be on events in the Eurozone, despite the improved banking liquidity. Additionally, economic data continues to be weak in Europe; however, US data continues to be on a more robust path and the Chinese authorities appear to be beginning to ease after their recent tightening fiscal stance. In this uncertain environment we continue to invest in companies which we believe can grow their earnings, and that these companies' stock prices will attract a 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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# Horizon

Fund

## Henderson Horizon Fund - Global Property Equities Fund

### Overview

European politics continued to dominate global headlines in December. Investment sentiment was initially cautious following the European summit, but improved later in the month after an expansion of European Central Bank liquidity. Nevertheless, both European equities and the euro declined. Elsewhere markets showed tentative signs of improvement. Government easing in China restored some confidence in Asian equity markets, while in the US, stronger figures on trade and consumer spending aided sentiment. News flow from the listed property sector was also relatively positive, with corporate activity in the US as health care player Ventas acquired listed peer Cogdell Spencer and a number of European refinancings and asset sales completed before the year-end at levels ahead of expectations. However, further government measures aimed at cooling the residential market in Singapore led to local share price weakness. Overall, the FTSE EPRA/NAREIT Developed Index increased 0.9% in US dollar terms.

### Performance and activity

The fund outperformed the index over the month, with our overweight position in North America beneficial. At a regional level, the fund underperformed in Asia Pacific where our cautious outlook on the Chinese residential sector and preference for the more stable markets of Australia and Japan was affected by greater risk appetite in the market. In the US, positions in the apartment and health care sector added value. Industrial operator STAG Industrial and mall operator CBL also posted strong returns. Detracting from performance were positions in the hotel space, namely Wynn Resorts in the US and InnVest in Canada. In Europe, stock selection was positive in the UK with underweight positions in majors British Land, Segro and Capital Shopping Centres beneficial, as large cap stocks bore the brunt of the sell-off. Investment in small cap retail park developer LXB Retail also performed well after posting strong year-end results. Swedish stocks Wihlborgs and JM also added to relative return.

We increased our overweight position in North America during the month, which now stands at 4%. Here, we added large-cap Ventas in the health care space, selling Health Care REIT based on relative value. In the office space we exited Duke Realty which failed to re-rate despite progress made in the business. Proceeds were added to Boston Properties and SL Green. With continuing weak markets in Europe, we took the opportunity to add to core positions at attractive valuations, namely West End developers Derwent London and Great Portland Estates and Hammerson in the large cap space. In smaller cap stocks we initiated a position in London & Stamford as part of a heavily discounted secondary placing. The company has a proven track record in capitalising on opportunities in distressed markets and recycling capital. Trading in the Asian fund was muted and we retain our preference for larger blue-chip quality names.

### Outlook

The possibility of a European recession and the need for many governments worldwide to deleverage is likely to make 2012 a challenging year for the property sector. The negative effects on employment and consumer expenditure will have an impact on the demand and pricing 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. Management initiatives will also be key factors in generating income growth. Equity market volatility is likely to persist in the coming months, but markets are pricing in significant weakness already. This will present opportunities, but, for now, we take comfort in the growing dividends of the sector and the fact that many listed property companies are 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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# Horizon

Fund

## Henderson Horizon Fund - Global Technology Fund

### Overview

Equity markets had a generally subdued December following the volatility of the last few months. Technology slightly outperformed the wider market this month whilst the Henderson Horizon Global Technology Fund performed in line with its benchmark.

### Performance and activity

The strongest source of positive performance this month came from communication equipment and electronic equipment instruments & components sectors. The IT services and computers & peripherals sectors detracted from performance in December.

At a stock level, Google was the biggest contributor to positive performance this month. The world's dominant web search engine benefitted from healthy e-commerce figures emerging in the run up to the holiday period. ASML, the Dutch semiconductor equipment company, performed strongly over the month as more positive economic data emerged from the US, leading to increases in customer equipment orders. Within the electronic equipment instruments & components sector, Hon Hai outperformed as iPhone 4s demand continued to outstrip analyst expectations.

The main detractors included Oracle, the US-based software firm. The company reported quarterly revenues below consensus estimates, reflecting a slowing IT spending environment.

During the month, the fund initiated a position in Applied Materials, reflecting the managers' more positive view on the outlook for semiconductor capital expenditure levels in 2012. TPK holding was amongst the positions exited, as the touch screen manufacturer's key customer looked to be changing to an alternative technology.

### Outlook

Macro trends continue to dominate investment returns. As we noted last month, the US economy continues to improve although economic data elsewhere seems to be gradually worsening. We continue to believe that monetary policy will be extremely accommodative, with an increasing likelihood of liquidity boosting measures in general and in China in particular, which should support markets near term. However a lack of willingness on the part of policy makers to act to cure long-term imbalances makes us a bit more concerned longer term. We are currently more tilted towards cyclical plays, especially in semiconductors, than we have been historically. There are risks in the first quarter as earnings may be somewhat lacklustre for the sector, and some 'safe haven' software and services names, may be especially vulnerable.

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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Fund

## Henderson Horizon Fund - Japanese Equity Fund

### Overview

The equity market endured a relatively muted end to the year and was unable to mimic the trends in western markets, which rallied into the close. Cyclical sectors both topped and tailed performance tables signifying a lack of conviction within the market. It was a noteworthy month in other respects. The corporate tax rate will be cut by 5% points to 35% starting next financial year, although there will be a partial offset with a reconstruction tax to help rebuild the Tohoku area. This is a positive step with regard to shareholder returns. On another footing Tokio Marine Holdings made a bid for Delphi Financial in the US reflecting an underlying trend towards overseas merger and acquisition (M&A) activity to enhance shareholder returns. Finally, we were reminded of the state of household financial assets, which reflected a healthy proportion being held in cash and deposits.

### Performance and activity

It was a very mixed month in terms of portfolio share price performance with the top gainers coming from an array of differing sectors. There was not very much supporting evidence for such performance although Mitsui OSK (shipping) bounced back from previously weak demand for its container service. Credit Saison (financial), Nippon Television and Sekisui Chemical all performed strongly. The detractors were found mainly in the technology sector with TDK, Murata and Nintendo giving up ground, not helped by a strengthening currency.

The position in Dai-ichi Life (insurance) was removed from the portfolio as the outlook for the company and industry appears incredibly dull. The proceeds from this sale and the reductions in positions which had performed strongly, such as TDK (electronics) and Asahi Holdings (brewer), were dispersed amongst existing positions in the financial sector and a select number of larger company holdings.

### Outlook

With a difficult 2011 behind us it is tempting to forecast that 2012 will start on an upbeat footing. After all Japan had it tough last year with events which encompassed a devastating earthquake along with a general malaise which beset the global economy. Regrettably the start of the new year is likely to progress much as last year left off with outstanding problems awaiting resolution. While western economies continue to grapple with the effects of deleveraging after their own financial crises, Japan can at least hold its head high as its balance sheet adjustment has largely been completed. This may be the differentiating factor between Japan and a world where the suppressive effects of credit constraint continues to impact developed economies. Japanese companies are cash rich and the yen is high reflecting the potential for M&A activity, while vast tracts of the domestic economy neglected throughout the country's deflationary period may attract attention as price declines abate. From here it is not about how much Japan can lose but how much can be gained from currently depressed levels. The portfolio's focus on domestic sectors remains in place.

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.

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# Horizon

Fund

## Henderson Horizon Fund - Pan European Alpha Fund

### Overview

December was a more positive month for European equities, buoyed by funding support for the banking system from the ECB. We had expected some form of action and the measures introduced have clearly averted a financial crisis brought about by lack of bank funding. This removes a key tail risk for equities and is thus positive. However, we suspect that the message it sends regarding the health of the banks themselves will prove less good for bank shareholders.

### Performance and activity

The bulk of fund returns came from the long book, but shorts also made a meaningful contribution. Performance was well spread, with Imperial Tobacco, Royal Dutch Shell, Sanofi and Vodafone all rising. Most of our shorts added to fund returns, with the main exceptions being Gas Natural and Iliad. Overall the fund has posted a positive return for 2011, something we hope to build on in the coming year.

Both of the new ideas during the month were longs. The first of these was Swedish Match, best known for its smokeless tobacco products. This has always been a well-managed company and we believe that shareholders' returns will benefit from the robust cashflow in prospect for the coming years. Valuation is attractive, share buybacks are likely and we have taken an initial position with the intention to grow it. Roche is the other, where we believe the combination of cost control and reduction of patent risk is not reflected in the current share price.

### Outlook

As we enter 2012 there are more hurdles to overcome. Sovereign funding is still uncertain, growth is sluggish and politicians will have to improve on their lacklustre efforts of 2011. None of this is a surprise to investors but it does help to explain the attractive valuations on offer in European equity markets. However, this situation will not persist forever and so we must be willing to take selected opportunities to lay the foundations for future returns.

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# 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 finished the month approximately flat, after initial falls on concerns surrounding the Eurozone sovereign debt crisis were reversed by more positive economic data from the United States.

### Performance and activity

Among the best performers during the month was Roche, the Swiss-based pharmaceutical group, following a series of positive pipeline results, which should benefit their oncology franchise over the long term.

Some of the most significant negative contributors to performance over the month were the non-life insurers such as Catlin and Aviva, which fell following worse than expected catastrophe losses from the Thai floods.

During the month a position was added in 3i Group, the private equity firm, as the shares look compelling from a valuation perspective at a significant discount to NAV (net asset value) and offer an attractive dividend yield.

The position in Antena3, the Spanish free-to-air broadcaster, was sold following a continued deterioration in the Spanish advertising market. Atlantia, the Italian toll road operator, was also sold on concerns surrounding the outlook for the Italian economy.

### Outlook

Going into 2012, the companies held within our portfolio are often global leaders operating in niche industries that should continue to benefit from global economic growth. While there is ongoing uncertainty surrounding a resolution to the Eurozone crisis, we remain comfortable with the balance sheets and free cash flow generation of the companies held.

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

With yet more economic uncertainty and another 'European summit to finally solve the eurozone's problems', it is perhaps surprising that European markets made any progress in December.

In some ways progress has been made; the announcement by the European Central Bank of a long-term refinancing operation has already provided euro-based banks €489bn of three-year money at only 1% in its first tranche (there will be another opportunity in February). The main significance of this, is that it is yet another measure to shore up banks – the bad news being that they still need it, and the good news being that there are many ways to create solutions to this financial morass (or at least buy time). The second bit of good news could be the decision by all euro members to sign up to a firm and definite fiscal discipline agreement.

### Performance and activity

Good performance was seen by Deutsche Post, Royal Dutch and Roche during the month; the poor performers included Deutsche Boerse, SAP and Deutsche Telekom – all affected by their own merger or attempted merger activity.

During the month we sold the last of Givaudan, which has been underperforming for some time due to rising input costs. We returned to shipping and oil company Maersk in expectations that it will gain more market share in containers, and remains the most efficient company in that tough industry, and also since we feel its oil assets are under-appreciated by the market. We also bought Vivendi again, as we feel that the media and telecom conglomerate is far better managed than has historically been the case, and yet the valuation gives it no credit for reasonable growth prospects.

### Outlook

There is little reason for European markets to start 2012 in a buoyant mode. Valuations are attractive, but the economic situation will remain very tough for at least the next six to nine months in our view.

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.

**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 Property Equities Fund

### Overview

European politics continued to dominate headlines in December. Investor sentiment was initially cautious following the European summit, but improved later in the month after the expansion of European Central Bank liquidity. Nevertheless, both European equities and the euro fell. There was some more positive news from the listed property sector, with a number of refinancings and asset sales completing before the year end at levels ahead of expectations. On the corporate side, more stringent rules on capital ratios forced French insurer Groupama to deconsolidate their stake in property company Silic, paving the way for a merger with Paris office peer Icade in the New Year. Overall, the fund's benchmark index fell 0.7%.

### Performance and activity

The underlying performance of the fund was in line with its benchmark for the month. In asset allocation, the fund's overweight position in Sweden was positive, while stock selection in the UK was strongly positive. Underweight positions in UK majors British Land, Segro and Capital Shopping Centres were beneficial as large cap stocks bore the brunt of the sell-off. Investment in small cap retail park developer LXB Retail performed well after posting strong year-end results and announcing major pre-lets and planning consents for their out-of-town projects. Swedish stocks Wihlborgs, Hufvudstaden and JM also added to relative return. Detracting from performance were overweight positions in UK names Land Securities, Hammerson and Great Portland Estates.

We used the weakness in the market to add to positions in core holdings at attractive valuations. Much of the activity was focussed in the UK, where we increased our overweight stance, adding to West End developers Derwent London and Great Portland Estates, as well as to Hammerson among the large caps. In smaller cap stocks we initiated a position in London & Stamford Property in a heavily discounted secondary placing. The company has a proven track record in capitalising on opportunities in distressed markets and recycling capital. On the continent, we exited our remaining position in French shopping centre owner Klépierre, adding to Dutch peer Corio and French office-focussed Icade on valuation grounds.

### Outlook

The possibility of a European recession and the need for governments to deleverage is likely to make 2012 a challenging year for the property sector. The negative effects on employment and consumer expenditure will have an impact on property values, but not symmetrically. Some assets and companies will do relatively well and, in an uncertain market, prime assets are likely to remain a safe haven. Management initiatives will also be key factors in generating income growth. Equity market volatility is likely to persist in the coming months, but markets are pricing in significant weakness already. This will present opportunities, but, for now, we take comfort in the dividends of the sector and the fact that many listed property companies are 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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