

## Henderson Horizon Fund - Asian Dividend Income Fund

### Fund Commentary – December 2014

#### Overview

MSCI Asia Pacific ex-Japan declined 2.1% in December in US dollar terms as tumbling oil and commodity prices combined with a strengthening US dollar prompted fears of greater deflationary pressure. In local currency terms Australia was the best performing market although the 4% depreciation of the Australian dollar eroded all positive returns. The only major market posting positive US dollar returns over the month was China. The rally in locally-listed China shares continued unabated over the month following the interest rate cut in late November. The Shanghai Composite Index gained over 20% in December as retail investors' love affair with the equity market was rekindled. Unsurprisingly with oil prices falling below \$60 a barrel, energy was the worst performing sector while the only positive returns at the sector level was in financials – bolstered mainly by the strong performance of Chinese insurance companies and banks.

#### Performance and activity

The fund outperformed the benchmark over the month as positive contribution from stock selection notably in China, Korea and India bolstered returns. The continued poor performance of oil companies Santos and Petrochina was detrimental.

Following a visit to Thailand we sold our position in Krung Thai Bank as the weakening economic outlook was not reflected in an elevated share price. We also added two Chinese A shares to the portfolio for the first time. Gree Electric Appliances, a manufacturer of air conditioners and Zhengzhou Yutong Bus, a manufacturer of electric buses appealed for their attractive valuations, strong cash flows and rising dividends.

#### Outlook

We remain positive on the outlook for Asia based on superior levels of economic growth and attractive valuations. The potential for strong cash flow generation and high dividend growth is compelling and makes the region one of the best stories for equity income globally.

The portfolio remains biased towards domestic sectors with an emphasis on companies with strong dividend growth especially as some of the traditional high yielding sectors appear overvalued relative to their own history and the region as a whole.

**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:** You should not make investment decisions based solely on marketing materials. You should read the Prospectus and Product Highlights Sheet of the Fund for more details of the investment risks and seek independent professional advice where appropriate. Intended quarterly dividend distribution by the Fund and its derived yield are not guaranteed and subject to change without any prior notice.

Note: Reference to any specific company or stock is for information purposes only and should not be construed as a recommendation to buy or sell the same.

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