

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

### Fund Commentary – December 2014

#### Overview

December ended on a more upbeat note with global equities rallying after the Federal Open Market Committee delivered a more dovish than expected message and reiterated its expectation that the first interest rate rise would be a “considerable time” away, even as US third quarter gross domestic product (GDP) was revised upwards to 5% from 3.9%. Asian property equities (-0.9%) ended the month flat. In Japan, PM Shinzo Abe called for, and won, a snap election, which renewed his mandate to govern for the next few years. Major newswires also reported that the standard corporate tax rate would be reduced in 2015 by 2.5 percentage points (ppts), more than forecast. Japanese developers (-3.1%) declined, although Japanese REITs (JREITs) (+3.6%) outperformed as domestic investors maximised their NISA (Nippon Individual Savings Account) budgets to purchase JREITs ahead of the end-year deadline. Singapore (-1.5%) underperformed as economic growth numbers came in weaker-than-expected. Occupy Central finally came to an end in Hong Kong (-2.3%), but retail sales continued to languish in the wake of the earlier disruptions. China (-4.2%) fell back although the central bank announced that it would take more steps to boost banks’ lending abilities. Australia (+0.3%) was flat as the Australian dollar depreciated another 4% against the US dollar.

#### Performance and activity

The fund underperformed the index over the month. Our overweight in Invincible Investment and underweight in Global Logistics Properties contributed positively to performance, although our position in Cheung Kong detracted.

Trading activity was light. We added to our positions in JREITs at the beginning of the period.

#### Outlook

In Japan, ‘Abenomics’ has continued to push up capital values. The recently announced additional stimulus measures are likely to further boost the asset reflation cycle. Encouragingly, upside from this alone is not the key driver as we are beginning to see signs of rental growth in the key Tokyo office market. JREITs should also remain well-supported as the Bank of Japan has tripled its JREIT purchase programme to JPY90bn per annum, while dividend yields of 3.3% should appeal to income investors.

Elsewhere, in Australia, top-line growth prospects appear modest as the economy slows, but given a lower cost of debt and an attractive starting yield, property shares should deliver a single-digit return assuming no change in the multiple. In Hong Kong and Singapore, office markets have remained resilient, but retail spending has deteriorated, particularly at the luxury end, leading to some rental pressures. Overall, listed companies (which typically own the best real estate assets) remain well-capitalised, which should cushion any downside risk; however, economic growth (or lack of it) is a headwind for the sector.

**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.

**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.

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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