

Henderson Horizon Fund - Global Property Equities Fund

Fund Commentary – December 2014

Overview

Global equity markets fell in December, with market sentiment shaped by the fall in the oil price and a strengthening dollar. Property equities outperformed wider equity markets over the month. North American property stocks made modest gains, as 10-year Treasury yields retreated. Asian and European property equities ended marginally lower on currency weakness. Overall, the FTSE EPRA/NAREIT Developed Index rose 0.4% in US dollar terms.

Performance and activity

The fund performed in line with its index in December. Stock selection lagged in North America and added value in Europe. Here, German residential landlord Gagfah made gains after it received a takeover offer from peer Deutsche Annington. In Sweden, commercial landlord Hemfosa made a positive contribution. In Asia Pacific, our holding in non-benchmark Japanese company Invincible Investment Corp again added alpha. In North America, Chesapeake Lodging Trust added value, with weakness caused by a wider sell-off in Canadian equities on oil price concerns. Here, holdings in Northern Property REIT and Dream Industrial REIT detracted.

In North America, we added net lease landlord National Retail Properties, selling out of Extra Space Storage. In Canada, we exited Northern Property REIT, switching into Crombie REIT, which sold off heavily despite having little exposure to oil regions. In Europe, we sold our position in London specialist Workspace, adding French residential developer Nexity. In Asia Pacific, we made no significant changes to the portfolio.

Outlook

We believe property as an asset class remains well placed, with investor demand continuing to strengthen as institutions rebuild historically low property allocations. This, combined with the attractive income return of property over bonds, should continue to support asset prices, even when government bond yields begin to rise. The balances of supply and demand in occupational markets also give us confidence in the underlying returns that listed property companies will generate in the next year or two. While equity markets may revisit concerns about rising interest rates again, the evidence from previous tightening cycles suggests that property markets do not tend to demand higher returns as rates initially rise. If anything, property yields tend to see modest downward pressure during these phases as rising rental growth leads to increased investor interest. Whilst we would not expect history to repeat itself exactly, it will probably rhyme.

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.
- 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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