

Henderson Horizon Asian Dividend Income Fund

June 2016

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Overview

Despite the shock of Brexit Asia Pacific markets rose 2.2% over the month in US dollar terms, as measured by the MSCI All Country Asia Pacific ex Japan index, outperforming the MSCI World Index by 2.5%. Most Asian currencies were a positive factor with the Indonesian rupiah and Korean Won particularly strong against the US dollar despite the 25bp cut in interest rates in both countries. The best performing markets were in ASEAN. Indonesia and Malaysia topped the table as energy and commodity prices moved ahead while China and Australia were laggards – the latter being impacted by uncertainty around the federal election at the end of the month. The best performing sector was technology as index heavyweight Tencent posted new highs while better than expected sales numbers from Samsung Electronics also contributed.

Performance and activity

The portfolio struggled to match the index return over the period. The strength of ASEAN and low-yielding technology stocks impacted relative fund returns and the positive contribution from our telecoms holdings was not enough to offset this. Over the month we sold our position in BAIC Motor over fears of increased competition for Hyundai and their own brand. We also sold property company China Resources Land and reinvested the proceeds into existing positions in Jiangsu Expressway and Guangdong Investment. Finally, we increased positions in Taiwan Semiconductor.

Outlook

We remain cautiously optimistic on the outlook for the region. Valuations remain attractive, especially relative to western markets, while reforms in key markets will improve the quality if not the quantity of economic growth across the region. 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 are overvalued relative to their own history and the region as a whole.

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