

Henderson Horizon Asian Dividend Income Fund

October 2016

Fund manager names: Michael Kerley & Sat Duhra

Overview

Asia Pacific markets finished October slightly lower, falling 1.7% in US dollar terms as measured by the MSCI All Country Asia Pacific ex-Japan Index. Uncertainty surrounding the US election together with a strong US dollar undermined emerging markets, leading to the first outflows from the asset class for a number of months. The switch to cyclical growth and away from defensives continued over the month as oil and commodity prices continued to rise while the steepening of the US yield curve (long-term bond prices decreasing relative to short-term bonds) undermined defensives. The best performing market was Taiwan, which benefited from improved sentiment towards technology demand and, in particular, the supply chain for the Apple iPhone 7 launch. Singapore, Korea, and the Philippines were the worst performing markets. Singapore real gross domestic product (GDP) growth surprised to the downside in the third quarter, with the economy contracting a significantly deeper-than-expected 4.1% quarter-on-quarter. Korea's underperformance can largely be attributed to Samsung, as it announced it would permanently discontinue its Galaxy Note 7 smartphone.

Performance and activity

The fund underperformed the index over the month as dividend yield strategies were impacted by steepening yield curves, while the continued strength of energy and materials impacted relative performance. Strong returns from Netease and KB Financial were supportive, but were offset by the strength of financials where the portfolio is underweight relative to the index.

Over the month we continued to increase the cyclicity of the portfolio by reducing positions in defensives and increasing financials and materials. We sold our position in Australian utility Duet and added a position in Rio Tinto on expectations of increased demand for commodities from increased global infrastructure spending. We also increased our exposure to Macquarie Bank and reduced insurance company Suncorp.

Outlook

We remain cautiously optimistic about the outlook for the region. We think 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 appear over-valued relative to their own history and the region as a whole.

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.

Important information

Henderson Global Investors (Singapore) Limited and its affiliates are referred to herein as Henderson Global Investors. This document has been produced based on Henderson Global Investors' research and analysis and represents our house view. All the information contained in the document is intended for information, illustration or discussion purposes only and should not be relied on for any investment decisions or regarded as a substitute for the exercise of your own judgement. The information contained in the document has not been reviewed or endorsed by the MAS.

The contents of this document are prepared without consideration to the specific investment objective, financial situation and particular needs of any specific person. It does not constitute an advertisement and should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase any investment in any jurisdiction and do not purport to represent or warrant the outcome of any investment strategy, program or product. Any information and views provided herein is subject to change without further notice. None of the material, nor its content, nor any copy of it, maybe altered in any way, transmitted to, copied or distributed to any other party, without prior express written permission of Henderson Global Investors. The information contained herein is obtained and / or compiled from sources believed to be reliable and current and Henderson Global Investors or its affiliates do not warrant, guarantee or represent, either expressly or impliedly, the accuracy, validity or completeness of such information. Henderson Global Investors or its affiliates or any directors or employees of Henderson Global Investors or its affiliates shall not be liable for any damages arising from any person's reliance on this information and shall not be liable for any errors or omissions (including but not limited to errors or omissions made by third party sources) in this information. Unless otherwise indicated, the source for all data is Henderson Global Investors.

Past performance of any fund, a security, an investment or manager and any opinions, forecasts, assumptions, estimates or valuations made are not necessarily indicative of the future or likely performance of the fund, the security, investment or manager. An investment in collective investment schemes/funds, and/or other investment products is subject to investment risks, including the possible loss of the principal amount invested. The value of the units and the income from the funds may fall as well as rise as a result of market and currency fluctuations. Investments in and the rate of return for the Fund are not obligations of, deposits in, guaranteed or insured by Henderson Global Investors or any of its affiliates or appointed distributors.

The Singapore Representative of the Henderson Horizon Fund is Henderson Global Investors (Singapore) Limited and is distributed by authorised distributors. You should read the prospectus and Product Highlights Sheet of the Fund, available from the Singapore Representative's office and the participating distributors' offices, and consider the risks and suitability of the Fund for your own financial needs or seek independent advice from a financial adviser before deciding whether to invest in the Fund.

Henderson Global Investors (Singapore) Limited Company Registration No. 199700782N
Date of issue: November 2016