Henderson

# Horizon Fund

## Fund Manager comments, May 2010

### Henderson Horizon Fund – American Equity Fund

**Overview**

US equities fell steeply in May amidst growing fears that Europe's debt crisis and a slowing Chinese economy could put the US recovery in jeopardy. Heightened tensions between North and South Korea provided additional cause for concern. The nervousness was typified by events on 6 May, as a mixture of erroneous trading and panic selling resulted in the biggest intra-day percentage loss for the Dow Jones since the crash of 1987. The S&P 500 index ended the month with a total return of -8.0%.

**Performance and activity**

Positive contributions during the month came from DirecTV, as a strong earnings report and encouraging comments about returning capital to shareholders prompted a rally in the stock. On the negative side, a disappointing opening for Dreamworks Animation's latest film release led to a sharp drop in the shares.

During the month we added Cummins, a manufacturer of truck engines and power generation equipment. Cummins is benefiting from increasingly strict emission standards for diesel engines in Western markets, as well as a strong growth outlook from emerging markets as the industrialisation of these economies continues. In addition, economic recovery in the US coupled with margin upside due to recent restructuring initiatives leads to the potential for the company to deliver earnings significantly above current expectations.

**Outlook**

The recent market correction has left US equities trading at very attractive valuations based on a more normalised earnings environment. Economic statistics from the US remain constructive and we believe that ongoing stimulus measures will enable growth to continue despite increased headwinds from overseas. We continue to believe that, as the range of economic outcomes narrows, the market should broaden out and allow company fundamentals to be the main driver of performance. This should make for a fruitful environment for stock pickers and result in the outperformance of both the higher quality cyclical stocks and the underappreciated growth opportunities that typify our investment approach.

## Henderson Horizon Fund – American Equity Fund (continued)

**Key investment risks to be considered before investing**

- The Fund primarily invests its assets in equity securities and equity instruments of companies across a variety of sectors in North America, including Canada but excluding Mexico
- Investments in the Fund are exposed to varying degree of risks to economic, political, regulatory and social development changes in the region.
- Investments focused in a single country/region may carry higher concentration risk and market volatility than funds following a more diversified policy.
- Investments in the Fund involve investment risks (e.g. market, legal, financial, interest rate, etc). In extreme market conditions, you may lose your entire investment in the Fund.
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# Horizon Fund

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

### Overview

Asian equities extended their decline during May, as fears of contagion from the Eurozone crisis deepened. Thus, the FTSE EPRA NAREIT Pure Asia index retreated 9.8% over the period. On the back of recent property-specific tightening measures announced by the Chinese government, transaction volumes in the private residential market have cooled substantially. That said, Chinese and Hong Kong property stocks outperformed their Asian counterparts on a relative basis, returning -6.5% for the month. Australian and Japanese property markets proved to be underperformers, declining 13.4% and 12.8%, respectively, as risk aversion drove profit taking in markets that had previously outperformed. The Australian dollar also saw heavy selling despite a rate hike, aggravating the sector's decline. Singapore was also not immune to the broad market weakness, returning a negative 7.7%.

### Performance

Our strategic sector underweights in Japan and Australia proved beneficial, with our negative bets in names such as Goodman Group, General Property Trust, and Mitsui Fudosan proving correct. With the market focusing on risk aversion, some of our core holdings that had done well previously, such as Hongkong Land, Bumi Serpong Damai, and Shanghai Jin Jiang, saw heavy profit taking and this had a negative effect on alpha generation for the period.

### Investment Activity

Investment activity was light during May. In Indonesia, we continue to see fundamental improvement for both property and capital markets and added to our holdings in the township developer Bumi Serpong Damai. We also participated in the secondary placement of another Indonesian residential developer, Alam Sutera. Taking a defensive, tactical view on the short-term market outlook, we trimmed some of our holdings in Hongkong Land, Stockland, and NTT Urban. For valuation reasons and given our view on the domestic growth outlook, we decided to sell out of Japanese names that have performed well year-to-date, including Japan Prime and United Urban, further streamlining the fund into a more concentrated portfolio.

### Outlook

Although a potential sovereign debt crisis in Europe could destabilise the nascent economic recovery in Asia, we take comfort from the recent experience with the global financial crisis, where Asia emerged relatively unscathed and on an arguably stronger footing. Asian governments have at their disposal a respectable level of reserves and policy tools to support their economies. Moreover, Asian property has underperformed its Western counterparts over the past ten months due to overheating and policy tightening concerns, and valuations are comparatively more attractive. In our opinion, as corporate expansion and business activity becomes more entrenched, investors should find the commercial property markets of Singapore and Hong Kong increasingly attractive.

Henderson **Horizon** Fund

## 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.
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# Horizon

Fund

## Henderson Horizon Fund - Asian Dividend Income Fund

### Overview

Worries over the sustainability of the European Union following the bailout of Greece caused global markets to fall heavily in May. Rising risk aversion resulted in a double-digit decline in Asian markets in dollar terms. Earnings releases were a positive, but somewhat ignored as investors fled from the more risky areas.

In Asia, the worst performing markets were Australia and Korea, which were negatively impacted by the sharp fall in commodity prices and the potential for weaker demand for technology especially in Europe, with the weakness of the Australian dollar and the Korean won only compounding this poor performance. The best performing market was Thailand, which only finished down marginally despite the political turmoil that lasted most of the month. China also outperformed as the turmoil overseas suggested that future tightening measures may be less aggressive. Basic materials, industrials, and technology underperformed, while defensive domestic sectors such as utilities, telecoms, and consumer fared better.

### Performance and activity

The fund outperformed in May as the underweight positions in Australia, Korea, and cyclical sectors proved beneficial. The strong performance of Thailand was an added fillip, but the performance of stocks in the financials sector was disappointing. We sold Korean beverage company Jinro over fears of market share slippage and disposed of ST Engineering in Singapore following strong performance. Lastly, we bought Taiwan foundry TSMC, which is seeing strong semiconductor demand and has a strong cash flow and yield.

### Outlook

We still expect markets to remain volatile as investors digest economic data and the fall-out from the peripheral economies in Europe. Asian markets look attractive in the medium term and we will look to add to positions as opportunities arise.

**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.
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# Horizon

Fund

## Henderson Horizon Fund – Asian Growth Fund

### Overview

Asian markets were weak in May as a result of the combined impact of the growing financial crisis in Europe. Korea and Taiwan, as the region's most externally exposed economies, were the worst performers. China and Hong Kong performed relatively well following a period of underperformance earlier in the year and their relatively low direct exposure to European growth.

### Performance and activity

The fund marginally underperformed the benchmark. Export-orientated stocks performed badly with Tata Steel, Taiwan technology, and Chinese ports all underperforming the broader portfolio. Taiwanese airlines, together with Ctrip and other Chinese consumption shares, held up relatively well.

There were no significant transactions during the month.

### Outlook

Asian markets have now reached attractive valuation levels and we expect the direct impact on the region from further problems in Europe is likely to be containable. The region's fiscal position is, on the whole, very strong and consumers have low levels of debt. Following the recent correction, a number of excellent long-term growth companies have reached very attractive levels and we will look for opportunities to add to positions on any further weakness.

**Henderson Horizon Fund – Asian Growth Fund (continued)**

**Key investment risks to be considered before investing**

- The Fund primarily invests in equity securities and equity instruments of companies in a variety of sectors across the Asia-Pacific region, excluding Japan.
- 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 substantial sum 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.
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# Henderson Horizon Fund

**Henderson Horizon Fund – China Fund**

## Overview

The MSCI China index plunged 6.5% in May while outperforming most other Asian markets. It happened as a result of concerns over European sovereign debt issues and tightening policies in China's property sector. Energy, commodities, and mid-cap names suffered the most; market volatility also jumped.

The central bank raised the banks' minimum reserve requirement ratio for the third time this year. China's purchasing managers index (PMI) came down to 53.9 from 55.7 in April, demonstrating signs that economic activity is starting to cool off after a strong first quarter, although it is still above the threshold of 50 that demarcates expansion from contraction. This is viewed positively by policymakers, whose top agenda for now is to prevent overheating and control inflation expectations.

## Performance and activity

The market correction did not help the fund's performance in May. The top contributors were our long positions in Ctrip, Digital China, and a short position in Lenovo. Performance detractors were positions in Baoye, Chaoda Modern, and Wistron. Most small- and mid-cap names sold off aggressively during the correction, as risk appetite receded.

We initiated a few short positions this month, such as Lenovo and Wumart. Lenovo delivered disappointing 2009 and first quarter 2010 results due to margin pressures. Even though we expect its top line to continue growing supported by strong momentum in the PC demand cycle, rising component costs and its expansion into emerging markets ex-China is likely to introduce greater uncertainty to its ability to control costs. Wumart suffered from a decline in margins due to rising selling, general and administrative expenses. The stock is trading close to 30 x 2010 price to earnings, factoring in most of its growth prospects.

## Outlook

The risk of economic overheating in China has eased off. The moderation in growth should be viewed as part of a normalisation process to bring the growth rate to a more sustainable level. Efforts to shift economic growth from being investment-led to consumption-led remains the government's top priority. A combination of measures is being rolled out to achieve this goal, such as increasing the supply of economic housing, boosting minimum wages, building a social safety net, etc. We retain our view that China remains well positioned even if world growth slows down again.

## Henderson Horizon Fund – China Fund (continued)

**Key investment risks to be considered before investing**

- The Fund primarily invests in equity securities and equity instruments of companies listed in China, Hong Kong and Taiwan and may also invest in companies incorporated elsewhere that have significant assets, business, production, trading activity or other interests in China, Hong Kong or Taiwan.
- The Fund may invest a substantial amount of its assets in companies in China (emerging market) which may involve a higher concentration of risk and also may experience higher risks of economic, political, regulatory and social development changes. Investments in emerging market may be less liquid and more volatile than funds that invest in developed and more geographically diversified markets.
- The Fund uses trading strategies that use financial derivative instruments ("FDI") 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.
- The Fund typically holds long and short positions mainly through the use of FDI combining with direct investments and its total gross market exposure may exceed 100%. Such investment strategy and the use of FDI are inherently volatile and depending on market condition, the Fund could potentially be exposed to additional risk and costs should the market move against it and incur losses consequently.
- 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.
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Henderson

# Horizon

Fund

## Henderson Horizon Fund - Continental European Equity Fund

### Overview

May proved to be a very weak month for global stock markets and Europe was no exception. In response to worries that the crisis in Greece would infect other countries in Europe, the European Central Bank unveiled a plan to buy enormous quantities of government bonds. This should have the effect of keeping yields down and ultimately will also be of benefit to corporate borrowing rates. However, in the interim, the scale of the response made investors nervous and was seen as another reason to de-risk portfolios.

### Performance and activity

Finding stocks and sectors that gained in the month is a forlorn hope and thus the outperformers were those that did less badly. Consumer staples and healthcare did best, while energy, financials, and materials lagged. Even though defensive areas of the market outperformed, the degree of this was a lot less than expected. This contributes to our belief that investors were selling all equities, irrespective of their prospects. By stock, SES Global and Heineken performed well, alongside Sodexo and Vallourec. The latter has had a very good run since we bought the stock and benefitted in May from good results and analysts upgrades. We took some profits, but still retain a material holding. Our worst performing stocks included Dufry and Hellenic Telecom.

Activity in the month was very limited. Alongside Vallourec, we reduced our holding in Prosafe Production as we see better opportunities elsewhere in the oil services sector. Cash levels in the fund are sufficient to initiate new positions without having to sell any of our existing holdings. This is a comfortable position to be in, as we believe it is important to have flexibility to react quickly to new opportunities in such a fast-moving market.

### Outlook

Our view is that the sell-off of the last few weeks is overdone. The strength of first quarter results has attracted very little commentary, but we believe it is another important milestone passed in the recovery process. We have resisted selling into the decline and believe markets will recover once macro worries subside.

## Henderson Horizon Fund - Continental European Equity Fund (continued)

**Key investment risks to be considered before investing**

- The Fund primarily invests in equity securities and equity instruments of companies in a variety of sectors within the European Economic Area ("EEA"), excluding the United Kingdom.
- Investments in the Fund are exposed to varying degree of risks to economic, political, regulatory and social development changes in the EEA region.
- The Fund may invest substantial sum of its assets in companies located in a single country within the region which may carry higher concentration risk and market volatility than funds following a more diversified policy.
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## Henderson Horizon Fund – Global Opportunities Fund

### Overview

With little company-specific news to provide positive support, global equities succumbed to severe selling pressure during May as investors grew increasingly concerned about the deteriorating macro environment and its effect on the global economic recovery. The MSCI World index declined 9.5% in US dollar terms, further hindered by a strengthening US dollar, with the Dow Jones Industrial Average recording its worst May since 1940. European markets, however, suffered the most as a €750bn international support package for the Eurozone could not stem fears over sovereign debt contagion, as Spanish debt was downgraded by rating agency Fitch. Additionally, the slowing Chinese economy and growing tensions between North and South Korea further weakened investor confidence.

### Performance and activity

Positive stock selection in the UK, Asia Pacific ex-Japan and emerging markets offset weakness in the US. By sector, strength in the financials, energy, and consumer discretionary sectors more than offset weakness from stock selection in information technology. At the stock level, positive earnings reports from casino and resort operator Genting Singapore helped the stock retrench some of its recent weakness; additionally Chinese online hotel and airline ticket aggregator Ctrip.com reported strong results with net profits increasing 57% year on year. In the US, a disappointing opening for Dreamworks Animation's latest film release led to a sharp drop in the shares.

During the month we added a position in Republic Services, a US waste disposal company. With the acquisition of Allied Waste, Republic is leading the industry consolidation and showing discipline on price and adds late cyclical exposure to the portfolio. We also sold out of Singapore-listed Wilmar as its first quarter results showed pricing pressure in its Chinese distribution business, which it is still looking to list.

### Outlook

In the absence of company-specific news flow, concerns over European sovereign debt and policy tightening in Asia have negatively impacted investor confidence, notwithstanding economic statistics from the US that remain relatively robust. This has led to significant volatility in equity markets. However, outside Europe there are continued signs of economic recovery: inflation concerns in Asia, GDP upgrades in the US and strong earnings generation at the company level. Therefore we remain confident in the sustainability of the global recovery and believe that companies with true earnings potential should continue to attract a premium valuation.

**Henderson Horizon Fund – Global Opportunities Fund (continued)**

**Key investment risks to be considered before investing**

- The Fund primarily invests in equity securities and equity instruments of companies in any geographic area in the world.
- Investments in the Fund are exposed to 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.
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# Horizon Fund

## Henderson Horizon Fund - Global Property Equities Fund

### Overview

Global equity markets turned decidedly negative in May. Concerns over sovereign debt issues in Greece intensified and, together with pressure on the Spanish savings banks, caused the euro to depreciate more than 7% against the US dollar. In Asia, tensions between North and South Korea fed fears in surrounding regional markets. Stocks in the US also declined as fears of contagion from the Eurozone and the talk of excessive tightening by the Chinese government dampened global growth expectations. However, in contrast to the listed market, news from the underlying property markets was encouraging, with a number of UK companies releasing full year results that showed capital values increasing and a stabilisation in rental values. Despite the upbeat tone from management teams, property equity markets were at the mercy of macro drivers and all regions delivered negative returns. Overall, the FTSE EPRA/NAREIT Developed index (USD) fell -8.39%.

### Performance

The fund benefited from positive asset allocation; however, weaker stock selection offset these gains. In Asia, the fund was rewarded by strategic underweights in Australia and Japan; however, core holdings such as Hongkong Land saw heavy profit taking as the market focussed on risk aversion. In Europe, only the most defensive markets were sheltered from the sell-off in the euro. Fund holdings in Central London stocks Shaftesbury and Great Portland Estates showed relative resilience, but the absence of some of the more defensive names in Switzerland and Sweden were detrimental. Our North American overweight continued to be beneficial, as the US was the strongest of the three regional markets. However, performance suffered from underweight positions in large-cap stocks including Simon Property Group, SL Green, and Boston Properties.

### Investment activity

The fund has retained its North American overweight, opening new positions in residential player Associated Estates Realty and large-cap self storage specialist Public Storage. We also added to our preferred stocks of Brandywine, in regional offices, and Las Vegas Sands in the hotel sector. In the European portfolio, we retained overweight positions in the non-euro denominated markets of the UK and Sweden. We bought into quality stocks on weakness: Great Portland Estates and Grainger in the UK, and JM and Castellum in Sweden, where the market had pushed prices to a point where they looking significantly undervalued. In Asia, we increased holdings in Ascendas REIT in Singapore, while in Indonesia we added to township developer Bumi Serpong Damai and also participated in the secondary placing of Alam Sutra Realty.

### Outlook

The medium-term economic outlook remains fraught with uncertainties, with the horizon clouded by the need to refinance trillions of dollars of maturing real estate debt over the next decade. This will likely split the market into two distinct camps: the ‘haves’ and the ‘have nots’, and fortunately listed property companies tend to be in the former category by virtue of their access to equity markets and, more recently, debt. Nevertheless, there is enough uncertainty among investors to keep pricing within reasonable limits at a point in the cycle where it often becomes ‘exuberant’. Our current view is that the equity market pricing fairly reflects the outlook for the physical market.

## 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.
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Henderson
# Horizon
Fund

## Henderson Horizon Fund - Global Technology Fund

### Overview
Global markets fell dramatically in May as the European bailout package for Greece materialised and brought on worldwide concerns for the markets. The technology sector did not escape from these fears and also fell at a similar rate to the global equity market.

### Performance and activity
Many sectors performed well on a relative basis; highlights being hardware, software, internet, and electronic equipment instruments and components. A strong contributor was NetApp, whose quarterly earnings report showed the business benefitting from an improved macroeconomy during 2010 as enterprises are now keen to upgrade their IT infrastructure, and in particular driving a need for greater data storage. Also within the hardware sector, Apple held firm as the new iPad continued its strong initial success.

The internet sector experienced a better month than previously, with CTrip a strong performer, as the Chinese online travel booking company continued to rise within its secular niche, even in a tough macroeconomic climate. Also, Baidu continued to grind up as its competitive position within the Chinese search market continued to reap rewards. Our software sector holdings were strong; VMWare was a good performer, also benefitting from the positive enterprise spend, with its virtualisation products a success.

Elsewhere, however, the IT services sector slightly dragged on performance. Our underweight position in newly re-categorised IBM detracted as it held up better in the downturn than many of the other IT services companies, aided by its strong balance sheet. Lastly, we avoided Visa and Mastercard, both of which suffered as Durbin interchange legislation in the US began to address the fees that credit card issuers collect from merchants when a customer uses a credit card to pay.

The fund eliminated positions in Tekelec after a poor set of quarterly results, and reduced positions across the semiconductor sector, exiting ASM Pacific completely . The fund initiated a position in Open Table, which operates a website for online reservations at restaurants as well as providing the software for restaurants to run their bookings.

### Outlook
The market is turning much more negative over concerns over the bailout packages and global economy. The technology sector will inevitably suffer, but we anticipate that it will do so less than other sectors, due to technology firms' strong balance sheets and strong demand.

## Henderson Horizon Fund - Global Technology Fund (continued)

**Key investment risks to be considered before investing**

- The Fund primarily invests in equity securities and equity instruments of technology related companies globally.
- Investments in the Fund are exposed to technology sector-specific risks 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.
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# Horizon Fund

## Henderson Horizon Fund – Industries of the Future Fund

### Overview

World markets were weak in May, with increasing concerns about the Greek debt situation. The euro fell sharply against the US dollar reflecting these worries. There were also fears about government spending cutbacks and increased regulation in the financial sector. The BP oil spillage had a material impact on the share price.

### Performance and activity

The fund benefited from an overweight position in healthcare and underweight financials and oil & gas stocks. Positive contributions came from NetApp (US, Efficiency), which reported results showing a very strong recovery in demand for networked storage solutions, and Mednax (US, Health), which released resilient quarterly results. The fund also benefitted from Quanta Services (US, Efficiency), which communicated a rebound in bidding activity in electricity transmission and accelerating growth into the second half of the year, and Parkway Group (Singapore, Health), which benefited from a bid at the end of the month for a controlling interest in the company from shareholder Khazanah of Malaysia.

Yingli Green Energy (US, Cleaner Energy), however, suffered from investors looking to sell stocks with substantial revenues into the eurozone, and also from a decreasing risk appetite for renewable energy names and for US-listed China stocks.

We sold out of housebuilder Berkeley Group in the UK, and out of nutritional supplements company NBTY after it became apparent that there would be greater pricing pressure on its wholesale business than we had anticipated. We switched low cost Chinese solar cell manufacturer Yingli Green Energy into US thin film solar manufacturer First Solar, which we see as a lower risk, higher quality name. Lastly, we participated in the initial public offering of US hospital revenue cycle management service provider Accretive Health, and also bought into Lifewatch.

### Outlook

The ongoing Greek sovereign debt crisis and potential 'contagion' to other countries, as well as risks to bank balance sheets, became an increasingly dominant concern for markets. The extent of public sector deficits across Europe has weighed on markets and on the value of the euro, which continued to fall against the dollar, prompting profit downgrades for US companies exporting to the Eurozone. In contrast, positive economic data continued to come from the US, confirming the near-term strength of the recovery.

We continue to see strong long-term growth prospects for our themes and for companies that are providing economic solutions to the challenges they represent.

## Henderson Horizon Fund – Industries of the Future Fund (continued)

**Key investment risks to be considered before investing**

- The Fund primarily invests in equity securities and equity instruments of companies that enable an environmentally sustainable and socially responsible economy.
- Investments in the Fund are exposed to 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.
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## Henderson Horizon Fund - Japanese Equity Fund

### Overview

Global events took centre stage in May with Europe very much at the forefront. The yen's gain against both sterling and the euro was marked, although the currency held relatively stable against the trade-important US dollar. Nevertheless, export-related stocks 'took a pounding', although this was partly due to the slump of the Korean Won, which many companies in the sector are effectively priced against. Defensive issues performed in a more predictable manner, but still lost ground in absolute terms. Economic data pointed to further recovery, although the rate of improvement is anticipated to level off. It is encouraging that later cycle areas, such as consumption, are beginning to find traction. Such an outcome is to be expected and offers encouragement that activity within the economy is beginning to find traction in areas such as consumption.

### Performance and activity

With the sudden fall in the market a number of stocks were badly affected across a broad range of sectors. Technology-related stocks fell sharply, with Renesas Electronics giving back much of the gains made this year. Recent gainers Tokyo Broadcasting and Yamada Denki also slipped back, reflective of the drop in the market. Credit Saison was the only real disappointment as profit forecasts for the year ahead were beneath expectations. Defensive issues performed better than the market and it was encouraging to see diverse holdings such as Secom, Benesse, NTT, and Takeda Pharmaceutical all contributing to performance within the portfolio.

Trading activity was limited, reflecting the sudden fall in prices and uncertainty that accompanies increased stock volatility. Leopalace was sold from the portfolio at the beginning of the month having performed strongly since the beginning of the year, which was fortuitous as the stock collapsed thereafter on yet another profit warning.

Elsewhere, there were minor additions to, and subtractions from, various positions as market conditions permitted, with the result that the portfolio ended the period with a small cash balance awaiting investment.

### Outlook

The events over the past couple of weeks reveal investors' concerns over the economic viability of heavily indebted countries. The situation of indebtedness is problematic as the cause may be deemed to be more structural than cyclical, with any remedy being more difficult to come by. Whilst Japan is not directly impacted by recent developments, as reflected in the strength of the currency, the economy would suffer were the uplift in global activity to falter. The next couple of months will be nervous times for markets and perhaps fears will then dissipate, but in anticipation of uncertain trading emphasis within the portfolio will focus on companies best equipped to weather difficult conditions.

## Henderson Horizon Fund - Japanese Equity Fund (continued)

**Key investment risks to be considered before investing**

- The Fund primarily invests its assets in equity securities and equity instruments of large and small companies across a variety of sectors in Japan but largely weighted towards companies of large market capitalization.
- The Fund may invest in OTC markets which are operated and regulated differently from other regulated markets and accordingly carry higher risks.
- Investments in the Fund are exposed to varying degree of risks to economic, political, regulatory and social development changes in Japan.
- Fund's investment focus on a single country may carry higher concentration risk and market volatility, including liquidity risks for investments in smaller companies, than funds following a more diversified policy.
- Investments in the Fund involve investment risks (e.g. market, legal, financial, interest rate, etc). In extreme market conditions, you may lose your entire investment in the Fund.
- The Fund may not be suitable for all investors. The intermediary who offers it to the investor should advise the investor why the product is suitable for him and how it is consistent with his investment objectives and meet his financial needs.

**Note: The above investment risks summary may not have set out all the risks and other significant aspects involved in investing in the Fund. You are advised to read the Prospectus of the Fund for more details of the investment risks.**

Henderson

# Horizon

Fund

## Henderson Horizon Fund - Pan European Alpha Fund

### Overview

May proved to be a very weak month for global stock markets and Europe was no exception. In response to worries that the crisis in Greece would infect other countries in Europe, the European Central Bank unveiled a plan to buy enormous quantities of government bonds. This should have the effect of keeping yields down and ultimately will also be of benefit to corporate borrowing rates. However, in the interim, the scale of the response made investors nervous and was seen as another reason to de-risk portfolios.

### Performance and activity

Obviously, in a market like this our long book struggled and the short book performed well. At the end of April we had reduced our net exposure, which turned out to be the right thing to do as the market subsequently fell. Following the fall we began to rebuild our long exposure, but this turned out to be somewhat premature as an initial bounce gave way to further declines. We understand investors' worries, but nevertheless believe many stocks have fallen too far, including some in our short book. Thus we closed out some of our short positions towards the end of May at a decent profit, including Subsea 7, Centrotherm, and Smurfit Kappa.

We also initiated selected new short positions, including Abengoa. It is clear that the forgiving nature of equity markets in 2009 will not be extended into 2010 for companies that have not done enough to reduce debt or stabilise their businesses. In our view, Abengoa is one such company. On the long side we have not added any new names, preferring to increase our exposure by adding to existing holdings that we know and like and which became cheaper as the market fell.

### Outlook

Our view is that the sell-off of the last few weeks is overdone. The strength of first quarter results has attracted very little commentary, but we believe it is another important milestone passed in the recovery process. We have resisted selling quality long positions into the decline and believe markets will recover once macro worries subside.

**Henderson Horizon Fund - Pan European Alpha Fund (continued)**

**Key investment risks to be considered before investing**

- The Fund primarily invests in equity securities and equity instruments of companies across a variety of sectors in the European Economic Area ("EEA"), including UK.
- Investments in the Fund are exposed to varying degree of risks to economic, political, regulatory and social development changes in the EEA region.
- The Fund uses trading strategies that use financial derivatives instruments ("FDI") 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.
- The Fund, mainly through the use of FDI combining with direct investments, may hold long and short positions. For short positions, the value of the Fund will be adversely affected if the value of the investment rises. Such investment strategy and the use of FDI are inherently volatile and depending on market condition, the Fund could potentially be exposed to additional risk and costs should the market move against it and incur losses consequently.
- 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.
- The Fund may not be suitable for all investors. The intermediary who offers it to the investor should advise the investor why the product is suitable for him and how it is consistent with his investment objectives and meet his financial needs.

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Henderson
# Horizon
Fund

## Henderson Horizon Fund - Pan European Equity Dividend Fund

### Overview

May proved to be a very weak month for global stock markets and Europe was no exception. In response to worries that the crisis in Greece would infect other countries in Europe, the European Central Bank unveiled a plan to buy enormous quantities of government bonds. This should have the effect of keeping yields down and ultimately will also be of benefit to corporate borrowing rates. However, in the interim, the scale of the response made investors nervous and was seen as another reason to de-risk portfolios.

### Performance and activity

The most positive contributors to performance included German industrials MTU Aero Engines and Siemens, which are recovery situations where management are taking action to improve their profitability, and which should also benefit from the fall in the euro as they export a significant proportion of their production. Other strong performers included defensive names, such as meat packing company Hilton Foods Group and Nestle. The most significant detractors from performance included online gaming company Unibet, which surprised the market by announcing it would be applying for a licence in the French market; this will lead to short-term costs, but could lead to significant future revenues and reduced risk to earnings, so we continue to hold the position until the implications are clearer. Other detractors included companies in economically-sensitive industries, such as travel company Thomas Cook and miner Rio Tinto, which fell on economic concerns.

We sold out of a number of companies, including property REIT Unibail Rodamco and Deutsche Telekom, where we see dividend growth in the coming years being slow, in the view that we can find more interesting opportunities for capital and income growth elsewhere in the market. We have added to positions in life and general insurance company Aviva, chemicals conglomerate BASF, and retailer Tesco.

### Outlook

The current market volatility is providing interesting investment opportunities and we will continue to look for attractively valued companies that offer earnings and dividend growth in the medium term.

**Henderson Horizon Fund - Pan European Equity Dividend 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 across a variety of sectors in the European Economic Area ("EEA") 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 EEA region.
- The Fund may invest substantial sum of its assets in companies located in a single country within the EEA region which may involve a higher concentration of risk and market volatility than funds 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.
- The Fund may not be suitable for all investors. The intermediary who offers it to the investor should advise the investor why the product is suitable for him and how it is consistent with his investment objectives and meet his financial needs.

**Note: The above investment risks summary may not have set out all the risks and other significant aspects involved in investing in the Fund. You are advised to read the Prospectus of the Fund for more details of the investment risks.**

**Intended semi-annually dividend distribution by the Fund and its derived yield are not guaranteed and subject to change without any prior notice.**

Henderson

# Horizon

Fund

## Henderson Horizon Fund - Pan European Equity Fund

### Overview

May saw a sharp sell off in European markets and the euro itself. Volatility was intense – as despair alternated with euphoria – the problems faced by Greece looked set to spread across the whole region, whilst the European Central bank, International Monetary Fund, and European authorities announced a massive €750bn rescue package.

During the month many European governments announced a number of measures designed to reduce government borrowing and, ultimately, debt levels. One of the largest is the UK, after the election produced a coalition government, and notably in a 'non euro' member, thus highlighting the point that sovereign debt is a more widespread concern than just the so-called 'PIIGS' (Portugal, Italy, Ireland, Greece, Spain). At the same time, there have also been early signs that China's growth rate is set to ease, and moreover, the announcement of a 'resource super tax' in Australia spooked the mining sector. All in all, it was a testing month.

### Performance and activity

We made a significant change to our stance during the month, moving out of Arcelor and Rio, the two most economically-sensitive holdings in the portfolio. We also reduced our position in Maersk, but have increased our Deutsche Post holding after encouraging first quarter numbers. We also sharply reduced our oil weighting – partly in response to the weaker oil price, and partly on concerns that the BP spillage in the Gulf of Mexico will have industry-wide ramifications. We also sold our Banco Santander position, as fears of contagion to Spain became just too much of a concern. We remain of the opinion that growth will continue to look good at least into the second half of 2010 (and very possibly well beyond), and have at the same time therefore added to names including Siemens and Adecco. Our concern for a long while has been that the pace of recovery will flatten out (a square root shaped recovery) and therefore have taken the opportunity to return to quality names such as L'Oreal, which fell sharply during the month.

### Outlook

In our view, the sharp falls in the markets and panic about sovereign debt has been exaggerated, leaving the European markets attractively valued, and with plenty of earnings growth still due to come through (even if estimates for earnings in 2011 are likely to get pared back somewhat). We therefore kept cash down to about 2% by the end of the month. We would expect a sharp recovery in markets over the next few weeks, but also have positioned ourselves for a 'low growth' environment.

Henderson Horizon Fund

**Henderson Horizon Fund - Pan European Equity Fund (continued)**

**Key investment risks to be considered before investing**

- The Fund primarily invests in equity securities and equity instruments of companies across a variety of sectors in the European Economic Area (“EEA”) and its investments are exposed to varying degree of risks to economic, political, regulatory and social development changes in the region.
- The Fund may invest substantial sum of its assets in companies located in a single country within the EEA region which may carry higher concentration risk and market volatility than funds following a more diversified policy.
- Investments in the Fund involve investment risks (e.g. market, legal, financial, interest rate, etc). In extreme market conditions, you may lose your entire investment in the Fund.
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Henderson

# Horizon Fund

## Henderson Horizon Fund - Pan European Property Equities Fund

### Overview

Global equity markets turned negative in May. Concerns over sovereign debt issues in Greece intensified, and, together with pressure on the Spanish savings banks, caused the euro to depreciate more than 7% against the US dollar. In Asia, tensions between North and South Korea fed fears in surrounding regional markets. In contrast to listed markets, news from the underlying property markets was encouraging. A number of UK companies released full year results, which showed capital values increasing and a stabilisation in rental values. Despite the encouraging results, property equity markets were at the mercy of macro drivers. Overall, the FTSE EPRA/NAREIT Developed Europe Capped index (EUR) fell 5.23%.

### Performance

Holdings in smaller, lower beta stocks produced outperformance this month as they remained resilient to falls in the markets. Holdings in LXB Retail Properties and Max Properties fell into this category. The fund's holding in Inland, which specialises in the regeneration of brown-field sites for urban development added value, when it received planning permission for a large mixed-use scheme in Greater London. Detracting from performance were holdings in stocks that moved with the market – Segro in the UK and Klepierre in France. Also detrimental was the absence of more defensive stocks in Switzerland and Belgium, such as Swiss Prime Site and Befimmo.

### Investment activity

The fund maintained its country level overweights, and continued to focus on the non-euro denominated markets of the UK and Sweden. In the UK, we added to our holding in Grainger towards the end of the month, and in Sweden we topped up JM. Elsewhere in the portfolio, we trimmed positions in Conwert in Austria and Fonciére des Régions in France.

### Outlook

The revaluation of real estate in developed markets is in its early stages and, as usual, stock markets are anticipating this recovery. However, yields remain above their long-term equilibrium levels, reflecting weak occupational demand and severely rationed debt finance. The medium-term economic outlook remains fraught with uncertainties, with the horizon clouded by the need to refinance maturing real estate debt over the next decade. This will likely split the market into two distinct camps: the 'haves' and the 'have nots', and fortunately listed property companies tend to be in the former category by virtue of their access to equity markets and, more recently, debt. Nevertheless, there is enough uncertainty among investors to keep pricing within reasonable limits at a point in the cycle where it often becomes 'exuberant'. Our current view is that the equity market pricing fairly reflects the outlook for the physical market.

## Henderson Horizon Fund - Pan European 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 in the EEA region.
- The Fund may invest substantial sum of its assets in companies located in a single country within the EEA 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.
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Henderson

# Horizon

Fund

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