Henderson
GLOBAL INVESTORS

Henderson

# Global Focus Fund

**Short Report**
For the six months ended 30 November 2012

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## Fund Manager

Matthew Beesley

## Investment objective and policy

The Fund aims to achieve a long-term return, in excess of the long-term return that is typically achieved from global equity markets, by investing in a concentrated portfolio of companies.

The Fund will invest in companies of any market capitalisation. The Fund will invest in a portfolio of typically 30–40 holdings.

The return will be a combination of capital and income returns.

The Fund may also invest at the Manager's discretion in other transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in applicable FSA Rules).

## Synthetic risk and reward profile

The Fund currently has 2 types of shares in issue:

A accumulation and Corporate accumulation.

The risk and reward profile is the same for each type of share and is as follows:

Typically Lower potential risk/reward　　Typically Higher potential risk/reward

*Lower Risk*　　*Higher Risk*

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

The value of an investment in the Fund can go up and down. When you sell your shares, they may be worth less than what you paid for them.

The risk/reward rating above is based on medium-term volatility. In the future, the Fund's actual volatility could be higher or lower and its rated risk/reward level could change.

The Fund's risk level reflects the following:

- As a category, shares are more volatile than either bonds or money market instruments
- Fluctuations in exchange rates may cause the value of your investment to rise or fall

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events which could amplify everyday risk and trigger other risks such as:

**Counterparty risk** The Fund could lose money if an entity with which it interacts becomes unwilling or unable to meet its obligations to the Fund.

**Derivatives risk** Certain derivatives could behave unexpectedly or could expose the Fund to losses that are significantly greater than the cost of the derivative.

**Focus risk** The Fund's value may fall where it has concentrated exposure to an issuer or type of security that is heavily affected by an adverse event.

**Liquidity risk** Certain securities could become hard to value or sell at a desired time and price.

**Management risk** Investment management techniques that have worked well in normal market conditions could prove ineffective or detrimental at other times.

The full list of the Fund's risks are contained in the "Risk Factors" section of the Fund's prospectus.

## Manager's commentary

A solid return for the MSCI World Index of 8.6% masked the challenging and choppy nature of markets throughout the period. The Fund underperformed the benchmark returning 6.9% as investor focus jumped between economic growth concerns, central bank stimulus, and corporate earnings.

From early June to late September the index managed a return in excess of 11.5% encouraged by the hope and subsequent delivery of co-ordinated central bank stimulus. This was in response to pressures including weak US employment data, the Chinese Purchasing Managers' Index reflecting a shrinking economy, and debt and austerity worries plaguing the eurozone. Investor sentiment was buoyed by the European Central Bank's (ECB's) promise of peripheral government bond market support and the US Federal Reserve's (Fed's) announcement of a third round of quantitative easing (QE3). As September drew to a close and the third quarter corporate earnings season began, market performance began to wane. While this share price weakness largely priced in expectations for a downbeat quarter, disappointing company results triggered bouts of investor selling. Markets continued to fall during November amid concerns over the political and economic dislocations in the US. President Obama's re-election was received poorly by markets, which viewed fiscal uncertainty and the continuation of relatively anti-business policies as an impediment to economic growth. Movement towards a compromise on the imminent tax rises and spending cuts in the US (the so-called 'fiscal cliff') eased market tensions, aided by improving economic data from the US and China, as well as forecasts of aggressive monetary stimulus in Japan.

Over the period, detractors from Fund performance included Citrix Systems, BG, and Occidental Petroleum, while positive contributions came from positions in Bayer and Citigroup. US technology company Citrix Systems reported revenues below expectations with management providing a cautious outlook given an environment of corporate uncertainty. Long term, we believe revenue growth should be driven by increased utilisation of the firm's desktop virtualisation products as the corporate sector returns to capital spending in the post-fiscal cliff environment. BG's management reported production delays at its Brazilian oil and gas fields, which led analysts to reduce earnings expectations for 2013. We subsequently met with BG's management and examined the position in detail; we believe the stock price reaction has overstated the impact of the update. Shares in Occidental Petroleum were also weak despite beating consensus earnings estimates; investor concerns over a short-term slowdown in production growth dominated price action.

On the positive side, German pharmaceutical company Bayer benefited from the release of both first and second quarter earnings that beat consensus estimates. This is in line with our investment thesis that the market is underappreciating the improvements being enacted at the company, particularly in its CropScience division. Bayer's pharmaceutical pipeline also shows substantial potential for the creation of shareholder value. The position in US bank Citigroup contributed strongly to relative returns, driven by consensus-beating third quarter results. The company reported strong fixed income trading profits and rising net interest margins.

Following periods of outperformance we closed positions in healthcare companies Bayer and Sanofi as well as in US rail transportation company Union Pacific; in our view these had all reached fair value. We initiated positions in leading diversified bank Standard Chartered, UK retail bank Lloyds Banking Group, and US healthcare firm DaVita Healthcare. Standard Chartered has a unique set of assets focused across the growth regions of Asia and other emerging markets.

The bank is well-capitalised, healthily funded and relies little on earnings from capital market activities that are perceived as risky. Lloyds Banking Group has an enviable position in the UK market with the largest branch network and leading shares in the high return sectors of mortgages, personal loans, and deposits. DaVita's recent acquisition of Healthcare Partners (HCP) could be a significant catalyst for change. The HCP business model helps provide a solution to current fiscal constraints in US; it incentivises physicians to provide preventative care and manage costs more efficiently to ultimately extract margin from the fixed monthly fee that the client pays. DaVita Healthcare believes its experience in running efficient operations and growing its business will lead to significant revenue growth.

Macroeconomic uncertainty remains in the shape of the looming US fiscal cliff, with eurozone austerity measures also at the forefront of investors' minds. These issues also feature strongly in the thoughts of business leaders and will affect their spending plans as they set budgets for 2013. Therefore, it is essential for economic growth that authorities work hard to manage or remove these uncertainties and instil confidence for businesses to invest and consumers to spend. That being said, recent economic data in the US, China and Germany have surprised positively, so the undercurrents of rising economic activity are increasingly apparent. Following a disappointing third quarter reporting season company earnings expectations, arguably, have been more realistic recently. As such, we could see markets move upwards should the 'fiscal cliff' be successfully averted and euro area risks contained.

## Performance summary

| | 1 Dec 11- 30 Nov 12 % | 1 Dec 10- 30 Nov 11 % | 1 Dec 09- 30 Nov 10 % | 1 Dec 08- 30 Nov 09 % | 1 Dec 07- 30 Nov 08 % |
|---|---|---|---|---|---|
| Henderson Global Focus Fund | 13.0 | (12.3) | 11.9 | 15.8 | (28.2) |
| MSCI World Index | 12.2 | 1.0 | 12.3 | 24.0 | (23.6) |

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, net of fees, GBP.

Figures in brackets are negative.

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

## Summary of Fund performance

| Share class | Net asset value+ 30/11/12 p | Net asset value+ 31/05/12 p | Net asset value % change |
|---|---|---|---|
| Class A accumulation | 135.20 | 126.83 | 6.60 |
| Class Corporate accumulation | 110.74 | 103.44 | 7.06 |

+ The net asset value is calculated as at close of business on the last business day of the accounting period. The investments are valued at fair value which is generally deemed to be the bid market price.

## Fund facts

| Accounting dates | Payment dates |
|---|---|
| 31 May, 30 November | 31 July, 31 January |

### Ongoing charge figure

| | 30/11/12 % | 31/05/12 % |
|---|---|---|
| Class A accumulation* | 1.51 | 1.51 |
| Class Corporate accumulation | 0.83 | 0.85 |

The ongoing charge figure (OCF) of the Fund is the ratio of the total ongoing charges to the average net asset value for twelve months.

* Please note a performance fee of 0.07% was charged to the Class A accumulation share class due to the Fund being ranked in the top 25% of its sector in September 2012.

## Performance record

| Calendar year | Net revenue (pence per share) | Highest price (pence per share) | Lowest price (pence per share) |
|---|---|---|---|
| **Class A accumulation** | | | |
| 2007 | – | 154.63 | 131.32 |
| 2008 | – | 153.81 | 95.13 |
| 2009 | 0.80 | 130.13 | 89.95 |
| 2010 | 0.47 | 147.04 | 118.46 |
| 2011 | 0.67 | 148.96 | 109.80 |
| 2012 | 0.78 | 139.25* | 123.01* |
| 2013 | 0.06+ | – | – |
| **Class Corporate accumulation** | | | |
| 2008** | – | 107.63 | 76.01 |
| 2009 | 1.12 | 104.65 | 72.01 |
| 2010 | 0.91 | 118.85 | 95.53 |
| 2011 | 1.11 | 120.43 | 89.16 |
| 2012 | 1.35 | 113.41* | 100.31* |
| 2013 | 0.51+ | – | – |

+ to 31 January
* to 30 November
** From 4 August 2008 to 31 December 2008

## Net revenue distribution

| Share class | 30/11/12 p | 30/11/11 p |
|---|---|---|
| Class A accumulation | 0.06 | – |
| Class Corporate accumulation | 0.51 | 0.56 |

Total dividend distributions for the six months ended 30 November 2012, comparison is for the same period last year.

**Past performance is not a guide to future performance.**

## Major holdings

| as at 30/11/12 | % |
|---|---|
| Pfizer | 3.47 |
| CBS | 3.46 |
| Praxair | 3.40 |
| Apple | 3.32 |
| Occidental Petroleum | 3.29 |
| Las Vegas Sands | 3.29 |
| Cummins | 3.23 |
| Oracle | 3.23 |
| Vodafone | 3.22 |
| Standard Chartered | 3.14 |

## Major holdings

| as at 31/05/12 | % |
|---|---|
| Union Pacific | 4.47 |
| Apple | 4.45 |
| Centrica | 4.42 |
| Pfizer | 4.34 |
| Sanofi | 4.31 |
| CBS | 4.15 |
| Occidental Petroleum | 4.14 |
| Unilever | 3.83 |
| Google | 3.48 |
| Vodafone | 3.30 |

## Asset allocation

| as at 30/11/12 | % |
|---|---|
| United States | 58.49 |
| United Kingdom | 22.21 |
| Germany | 6.03 |
| Switzerland | 3.03 |
| Japan | 2.76 |
| Indonesia | 1.99 |
| China (Including Hong Kong) | 1.69 |
| Turkey | 1.59 |
| Net other assets | 2.21 |
| **Total** | **100.00** |

## Asset allocation

| as at 31/05/12 | % |
|---|---|
| United States | 62.18 |
| United Kingdom | 16.66 |
| Germany | 6.42 |
| France | 4.31 |
| Switzerland | 3.06 |
| China (Including Hong Kong) | 2.42 |
| Japan | 1.47 |
| Net other assets | 3.48 |
| **Total** | **100.00** |

## Report and accounts

This document is a short report of the Henderson Global Focus Fund for the six months ended 30 November 2012.

Copies of the annual and half yearly long form report and financial statements of this Fund are available on our website www.henderson.com or contact Client Services on the telephone number provided.

## Other information

The information in this report is designed to enable you to make an informed judgement on the activities of the Fund during the period it covers and the results of those activities at the end of the period.

## Risk warning

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

**Issued by:**
Henderson Investment Funds Limited
Registered office:
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Member of the IMA and authorised and regulated by the Financial Services Authority.
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# Contact us

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### Changes of address – regulatory requirements

FSA regulation requires us to send this report mailing to the address held on file on the accounting date of 30 November 2012. If you have confirmed a change of address with us since that date we will ensure all future correspondence will be sent to your new address.

### Online valuations

You can value your Henderson Global Focus Fund at any time by logging on to www.henderson.com. Select 'Personal Investor' and then access 'Valuations' from the Tools Menu. Simply select the Fund you hold and enter the appropriate number of shares.

### Any questions?

Further information about the activities and performance of the Fund for this and previous periods can be obtained from the Investment Manager. If you have any questions please call our Client Services Team on 0800 832 832 or email support@henderson.com.



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