

ABSOLUTE RETURN BOND FUND

Quarter end 30 June 2015

Fund overview

The fund is well suited to investors looking either to outperform libor or mitigate against the impact of rising interest rates and bond yields.

The Henderson Institutional Absolute Return Bond Fund aims to generate positive returns throughout a market cycle, with a focus on capital preservation.

Consistent, risk-adjusted performance (%)



Source: CAPS Mellon, Henderson Global Investors, in sterling as at 30 June 2015. Performance is annualised beyond 1 year, based on close of business prices, gross of income, before the deduction of Annual Management Charges (AMC).

Note: Based on the Absolute Return Bond Fund (fund name changed from High Alpha Fixed Income Fund to Absolute Return Bond Fund on 1 March 2011, when the performance target changed from Libor+2%p.a.).

Summary of key differentiators

- Consistent, risk-adjusted performance**
 Generated using common sense principles from four alpha sources — interest rates, credit, currency and asset allocation.
- Breadth of ideas**
 The investment process brings together the best ideas from our investment specialists across the full range of fixed income markets.
- The Fixed Income Investment Strategy Group (ISG)** is a group of our most experienced fixed income specialists who are responsible for asset allocation and top-down risk budgeting of the fund.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

Entire process structured to capture best ideas

The Henderson Institutional Absolute Return Bond Fund aims to generate its returns from four sources: interest rates, credit, currency and asset allocation. The holdings of the fund include developed and emerging government debt markets as well as high yield debt, investment grade credit, bank loans, asset-backed securities, currencies and derivatives.

The strategies in interest rates, credit and currencies are expected to perform irrespective of the general direction of the market. We employ a team of analysts who are specialists in their field to generate investment ideas from security-specific research across global fixed income markets. These investment ideas, both long and short, are captured by the portfolio managers who are responsible for implementing the views into portfolios and sizing the positions to ensure the risk-reward is optimal (Figure 1).

We seek to add value through asset allocation by investing in asset classes that offer an attractive risk-adjusted return on an outright basis. The Henderson Fixed Income Investment Strategy Group (ISG), a small group of highly experienced investors, drives asset allocation decisions and is dynamic in budgeting overall risk between the four sources to ensure an efficient conversion of risk into return.

Figure 1. Access to a wide range of fixed income opportunities



Key features

Fund aim

The Henderson Institutional Absolute Return Bond Fund aims to generate positive returns throughout a market cycle, with a focus on capital preservation. The target outperformance of the fund is Libor +3% over a 3 year period, achieved by investing across the full spectrum of opportunities in fixed income, and to achieve this with an expected volatility of 3-5%.

Structure

UK QIS

Fund manager

Fixed Income Investment Strategy Group

Fund launch date

31 March 2008

Fund size

£830.1m

Strategy size*

£872.9m

Benchmark

3-month Libor

Typical expected volatility

3-5%

Base currency

GBP

Dealing

Monthly

Absolute return performance is not guaranteed. Over the short-term it may experience periods of negative returns so the fund may not achieve this objective.

*Source: Henderson Global Investors as at 31/03/15

Risk management embedded through the process

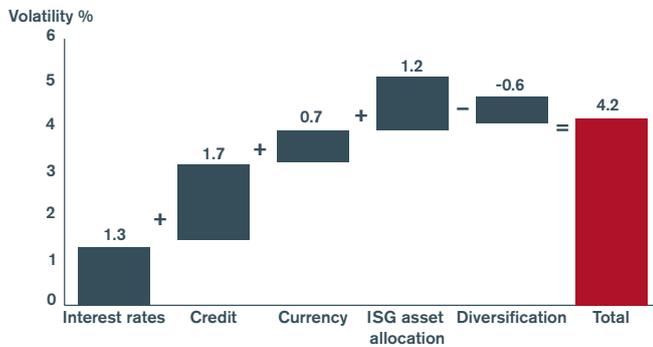
The Henderson Institutional Absolute Return Bond Fund holds a high number of lowly correlated positions from across the global fixed income opportunity set. This diversification is designed to lower the overall portfolio risk and has helped the fund to deliver attractive risk-adjusted returns to clients (Figure 2).

Embedded throughout the whole process is a robust and comprehensive risk management framework. We assess the expected returns, risks and correlations arising from the four sources of added value within the strategy, aiming to generate balanced contributions over the longer term with no one source of return dominating. This risk budgeting changes through time as market conditions determine.

We use a range of quantitative methods, including proprietary models to measure portfolio risk, and supplement this with qualitative judgement and prudent exposure limits.

Figure 2.

Risk breakdown by factor for the Absolute Return Bond Fund



Source: Henderson Global Investors, at 30 June 2015.

Note: Calculations are annual forward looking risk expectations, based on 30 June 2015 allocation.

Fixed Income Investment Strategy Group



Phil Apel
Head of Fixed Income and Chair of the Investment Strategy Group
 27 years' industry experience
 Joined Henderson 2005



Stephen Thariyan
Global Head of Credit
 24 years' industry experience
 Joined Henderson 2007



Colin Fleury
Head of Secured Credit
 29 years' industry experience
 Joined Henderson 2007



James McAlevey
Head of Interest Rates
 15 years' industry experience
 Joined Henderson 2012



Kevin Adams
Director of Fixed Income
 32 years' industry experience
 Joined Henderson 2003



Jo Murdock
Portfolio Manager Fixed Income
 11 years' industry experience
 Joined Henderson 2004



Bill McQuaker
Co-Head of Multi Asset
 29 years' industry experience
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