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If you have sold or otherwise transferred all of your shares in Henderson Diversified Income Limited please forward this document immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

HENDERSON DIVERSIFIED INCOME LIMITED

(a company incorporated in Jersey, Channel Islands under the Companies (Jersey) Law, 1991 with registered no. 97669)

Directors:

Paul Manduca (*Chairman*)
Helen Green
Angus Macpherson
Nigel Parker
David Smith
Ian Wright

Registered Office:

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19-23 La Motte Street
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29 February 2016

Dear Shareholder

RECOMMENDED PROPOSALS TO AMEND THE COMPANY'S INVESTMENT POLICY

Introduction

As announced in the Annual Report and Accounts for the year ended 31 October 2015 that accompanies this document, the Board has recently undertaken a review of its investment policy and is proposing to make certain changes to its investment policy to increase the gearing limits within the policy and make it clear that these limits apply to the combined portfolio of the Company and its subsidiary, Henderson Diversified Income Luxembourg S.a.r.l..

This letter explains the proposed changes to the Company's investment policy and why we believe these proposals to be in the best interest of shareholders as a whole. Before the proposed changes to the Company's investment policy can become effective the UK Listing Rules require the proposed policy to be approved by shareholders.

Shareholders will be asked to consider and, if thought fit, approve the proposed changes to the Company's investment policy at the upcoming Annual General Meeting of the Company. The Annual General Meeting is to be held on Tuesday, 12 April 2016 at 11.00 a.m. at Liberté House, 19-23 La Motte Street, St Helier, Jersey JE2 4SY. The Notice convening the Annual General Meeting accompanies this document.

Proposed changes to the investment policy

The Company's current investment objective is to provide shareholders with a high level of income and capital growth over the longer term. There is no intention to change this investment objective. However to facilitate its achievement in the current market conditions the Board is proposing to amend the gearing limits in the policy to give Henderson Investment

Funds Limited (the "**Investment Manager**") additional flexibility.

The Board has noted that the bear market in credit markets has resulted in valuations being considerably cheaper than they have been for a number of years. The Investment Manager remains cautious that there may be further downside risk in the short term and consequently gearing levels have been reduced to the lower end of the long term range.

However, the Board and the Investment Manager believe that the end of the bear market may well provide a compelling opportunity to lock in highly attractive long term income streams in good quality companies with the consequent benefits for the Company's shareholders in both capital and income terms. Should such a scenario arise, the Board would like the flexibility to be able to increase the total gearing above its current level of 30 per cent. of net assets to a new maximum level of 40 per cent. of net assets. The Board has confirmed that it has no present intention of taking advantage of this additional flexibility.

The amended investment policy seeks to provide the Board with the increased flexibility noted above and clarifies the wording of the gearing policy and the caps that make it clear that these limits apply to the combined portfolio of the Company and its subsidiary, Henderson Diversified Income Luxembourg S.a.r.l..

The full text of the proposed new investment policy is set out below:

Investment objective

The Company's investment objective is to provide shareholders with a high level of income and capital growth over the long term.

Investment policy

The Company aims to deliver these investment outcomes for shareholders by investing, including through its wholly-owned subsidiary company Henderson Diversified Income Luxembourg S.a.r.l (together the "Group"), selectively across the full spectrum of fixed income asset classes including, but not limited to, secured loans, asset backed securities, investment grade corporate bonds, high yield corporate bonds, unrated bonds, gilts, preference and selective high yield equity shares, hybrid securities, convertible bonds and floating rate notes. The Group seeks to invest directly in its target investments, although it may also invest through other collective investment vehicles if appropriate.

The Group has a diversified portfolio and will always seek to maintain a diversified portfolio. The Investment Manager seeks to adopt a dynamic approach to asset allocation across the asset classes at its disposal and to invest primarily in the following four principal asset classes: secured loans, asset-backed securities, investment grade corporate bonds and high yield corporate bonds.

The Directors have adopted the following allocation limits:

- high yielding equities 0 to 10 per cent. of gross assets;
- secured loans 10 to 80 per cent. of gross assets;
- asset-backed securities 0 to 40 per cent. of gross assets;
- investment grade bonds 0 to 70 per cent. of gross assets; and
- high yield corporate bonds 0 to 70 per cent. of gross assets.

In the event that the Investment Manager invests 100 per cent. of the gross assets in one asset class only, the Group will nevertheless seek to maintain a diversified portfolio. The Investment Manager may also invest in credit default swaps and certain other derivative

instruments in order to enhance the Group's income and total returns. The Group's exposure to credit derivatives is capped at a maximum net long or short position of 40 per cent. of its net assets.

The Group's portfolio is not managed by reference to any benchmark save for an income target of 2.00 per cent. over sterling three month Libor.

The Group may employ gearing (including both financial gearing through bank borrowings and synthetic gearing through derivatives) to enhance investment returns. Total gearing will not exceed 40 per cent. of net assets.

As a matter of policy, the Group will not invest more than 10 per cent. in aggregate of its net assets in a single issue or issuer.

Any material change to the investment policy of the Company will only be made with the approval of shareholders.

Recommendation

The Board considers that the proposed changes to the Company's investment policy are in the best interests of the shareholders as a whole. Accordingly, the Board unanimously recommends all shareholders to vote in favour of the resolution to be proposed at the Annual General Meeting, as the Directors intend to do in respect of their own beneficial holdings.

Yours faithfully

Paul Manduca
Chairman