



Henderson  
GLOBAL INVESTORS

Henderson

# International

Fund

**Short Report**

For the six months ended 30 April 2013

# Henderson International Fund

## Short Report

For the six months ended 30 April 2013

### Fund Managers

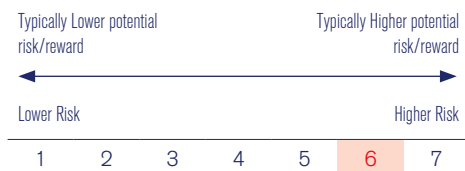
Matthew Beesley

### Investment objective and policy

To aim to provide capital growth by investing in companies in any economic sector and any area of the world.

### Synthetic risk and reward profile

The Fund currently has 2 types of share in issue; A accumulation and I accumulation. Each type of share has the same risk and reward profile which is as follows:



The value of an investment in the Fund can go up and down. When you sell your shares, they may be worth less than 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 lowest category does not mean risk free.

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.

**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

Global equity markets approached the end of 2012 with caution as looming spending cuts and tax increases (the 'fiscal cliff') in the US threatened the country's continued growth and weighed on corporate and investor sentiment. A last-minute compromise deal in US Congress sparked a considerable relief rally in the New Year which, combined with relatively solid macroeconomic and corporate earnings data, culminated in the S&P 500 Index reaching successive all-time highs towards the end of the period. Japanese markets rallied dramatically over the six months (although sterling currency returns were tempered by depreciation in the yen), boosted by the new leadership's aim to reinvigorate the economy and create inflation via aggressive monetary intervention and fiscal policy changes. In China, economic data was varied with evidence of a drop in exports and manufacturing growth weighing on markets. Political and economic concerns in the eurozone once again came under the lens with the Italian elections producing no clear winner and the Cypriot banking crisis coming to a head. While these developments held back European equities' performance, encouragingly, global markets showed resilience.

The Fund performed in line with its benchmark over the period, with stock selection within Europe ex-UK and Japan contributing to performance, while North American and UK holdings detracted. By sector, consumer discretionary and industrials holdings benefited the Fund, while healthcare and IT detracted from performance relative to the benchmark.

At the stock level, Makita (Japanese power tool brand) reported solid earnings ahead of estimates thanks to improving demand, particularly from the recovering US housing market. The weakening yen has also improved the company's competitive position relative to its global peers. CBS (US commercial broadcaster) also contributed positively as investors welcomed the company's announcement to divest its outdoor advertising units, monetising loss-making divisions and allowing CBS to focus on its core revenue-generating areas. Belgian financial group KBC performed strongly buoyed by plans to accelerate its repayment of state aid, improvements in its Irish loan book and an unexpected dividend for 2012, which evidenced satisfactory capital ratios. The main detractors included oilfield services and equipment provider National Oilwell Varco (NOV), where management guided towards falling margins as customers came under pressure to reduce costs. The long-term case for NOV remains positive as high demand for offshore rig construction and global fleet renewal should continue to drive growth. Oil and gas firm BG's earnings report in late October also disappointed investors as a lowered production outlook dampened the market's view of the company's growth prospects. Lastly, falling iron ore prices, Rio Tinto's primary earnings driver, put downward pressure on shares in the mining company despite the announcement of strong underlying earnings ahead of analysts' expectations.

Key purchases over the review period included positions in KBC, US pharmacy operator Walgreen, and South Korean technology giant Samsung Electronics. In addition to its solid core banking business in Belgium, the attractiveness of the KBC investment case is complemented by the acceleration of its aforementioned repayment of

state aid, which should improve the quality of the bank's capital adequacy ratio (a measure of financial strength; the ratio of capital to assets). Walgreen's recent acquisition of a 45% stake in Europe's Alliance Boots pharmacies, at an attractive valuation, should produce cost synergies over coming years. In its domestic US business sales growth appears to be improving and it is advantageously positioned as the preferred provider to three of the top federal government-subsidised Medicare plans. We also added a position in Samsung; the company's emerging dominance in the high-end smartphone market, in addition to a strong presence in the lower priced smartphones segment, prompted us to open a position in the electronics manufacturer. To finance this purchase we closed the Fund's position in Apple, which has exhibited falling sales growth and margin compression over recent quarters. We also exited the position in Bayer which, following solid earnings results in its Crop Science and Healthcare divisions, led the share price towards our fair value price target. With our investment thesis playing out, and the valuation reflecting this, we closed the position.

Looking ahead in 2013 we see an attractive landscape for Fundamentals-based stock-picking among attractively valued, cash flow generative companies on a two to three year view. The global economy has shown signs of progress and, while the challenges to economic growth in Europe remain, there is evidence of improving confidence within the region. We have witnessed strong relative outperformance in the healthcare and consumer staples sectors, which we see as reflective of on-going investor appetite for yield given the low interest rate environment. We note that on a simple price to earnings basis, valuations in these sectors are at five-year highs and with arguably little room for positive earnings surprises, it is possible we will see a rotation out of these sectors in the medium term. Likewise, we have seen the more cyclical sectors of materials, industrials, and technology lag in this market environment, which could potentially see a reversal. However, given such a strong rally from mid-2012, we are mindful that equities may be vulnerable to a correction in the short term.

## Discrete annual performance

|                              | 1 May 12-<br>30 Apr 13<br>% | 1 May 11-<br>30 Apr 12<br>% | 1 May 10-<br>30 Apr 11<br>% | 1 May 09-<br>30 Apr 10<br>% | 1 May 08-<br>30 Apr 09<br>% |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Henderson International Fund | 14.6                        | 1.3                         | 4.0                         | 37.0                        | (22.3)                      |
| MSCI World Index             | 22.5                        | (1.5)                       | 9.1                         | 33.4                        | (18.4)                      |

Source: Morningstar - mid to mid, net income reinvested, 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*<br>30/04/13<br>p | Net asset value*<br>31/10/12<br>p | Net asset value<br>% change |
|----------------------|-----------------------------------|-----------------------------------|-----------------------------|
| Class A accumulation | 669.73                            | 568.98                            | 17.71                       |
| Class I accumulation | 739.95                            | 625.88                            | 18.23                       |

\*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 |               |
|-----------------------|---------------|---------------|
| 30 April, 31 October  | 31 December   |               |
| Ongoing charge figure | 30/04/13<br>% | 31/10/12<br>% |
| Class A               | 1.77          | 1.76          |
| Class I               | 0.88          | 0.85          |

The annualised ongoing charge figure (OCF) of the Fund, calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all payments deducted from the assets of the Fund during the period, except for expenses that are explicitly excluded by regulation.

## Performance record

| Calendar year               | Net revenue<br>(pence per share) | Highest price<br>(pence per share) | Lowest price<br>(pence per share) |
|-----------------------------|----------------------------------|------------------------------------|-----------------------------------|
| <b>Class X accumulation</b> |                                  |                                    |                                   |
| 2008                        | -                                | 536.20                             | 325.30                            |
| 2009                        | 0.94                             | 483.80                             | 328.50                            |
| 2010#                       | -                                | 494.60                             | 476.10                            |
| <b>Class A accumulation</b> |                                  |                                    |                                   |
| 2008                        | 0.45                             | 555.70                             | 338.60                            |
| 2009                        | 3.06                             | 506.50                             | 342.50                            |
| 2010                        | -                                | 590.00                             | 480.30                            |
| 2011                        | -                                | 594.30                             | 478.10                            |
| 2012                        | -                                | 612.40                             | 541.20                            |
| 2013                        | -*                               | 686.70+                            | 592.10+                           |
| <b>Class I accumulation</b> |                                  |                                    |                                   |
| 2007                        | 4.48                             | 587.70                             | 359.80                            |
| 2008                        | 6.57                             | 542.60                             | 364.70                            |
| 2009                        | 1.69                             | 638.00                             | 514.90                            |
| 2010                        | 4.48                             | 642.80                             | 520.10                            |
| 2011                        | 3.89                             | 670.10                             | 592.90                            |
| 2012                        | -*                               | 757.80+                            | 652.30+                           |

\* to 28 June

+ to 30 April

# X share class merged with A share class on 11 January 2010

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

## Major holdings

| as at 30/04/13       | %    |
|----------------------|------|
| Sumitomo Mitsui      | 3.64 |
| Microsoft            | 3.63 |
| Lloyds Banking Group | 3.57 |
| KBC                  | 3.54 |
| AIA Group            | 3.30 |
| Occidental Petroleum | 3.23 |
| Bed Bath & Beyond    | 3.19 |
| Pfizer               | 3.10 |
| Unilever             | 3.10 |
| Pentair              | 3.00 |

## Asset allocation

| as at 30/04/13   | %             |
|------------------|---------------|
| United States    | 52.03         |
| United Kingdom   | 12.14         |
| Japan            | 8.27          |
| Switzerland      | 4.99          |
| Belgium          | 3.54          |
| Hong Kong        | 3.30          |
| Germany          | 2.93          |
| Korea            | 2.50          |
| Turkey           | 2.27          |
| Indonesia        | 1.73          |
| Sweden           | 1.00          |
| Net other assets | 5.30          |
| <b>Total</b>     | <b>100.00</b> |

## Major holdings

| as at 31/10/12         | %    |
|------------------------|------|
| Unilever               | 3.56 |
| Occidental Petroleum   | 3.47 |
| Pfizer                 | 3.47 |
| Microsoft              | 3.45 |
| Apple                  | 3.41 |
| Praxair                | 3.40 |
| Vodafone               | 3.39 |
| Standard Chartered     | 3.32 |
| Las Vegas Sands        | 3.30 |
| National Oilwell Varco | 3.20 |

## Asset allocation

| as at 31/10/12   | %             |
|------------------|---------------|
| United States    | 59.28         |
| United Kingdom   | 17.83         |
| Germany          | 8.19          |
| Japan            | 5.13          |
| Indonesia        | 2.00          |
| Hong Kong        | 1.90          |
| Net other assets | 5.67          |
| <b>Total</b>     | <b>100.00</b> |

## Report and accounts

This document is a short report of the Henderson International Fund for the six months ended 30 April 2013.

Copies of the annual and half yearly long form report and financial statements of this Fund are available on our website [www.henderson.com](http://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.

### Issued by:

Henderson Investment Funds Limited

Registered office:

201 Bishopsgate,  
London EC2M 3AE

Member of the IMA and authorised and regulated by the Financial Conduct Authority.  
Registered in England No 2678531

### Depository

National Westminster Bank Plc  
135 Bishopsgate  
London EC2M 3UR

## Risk warning

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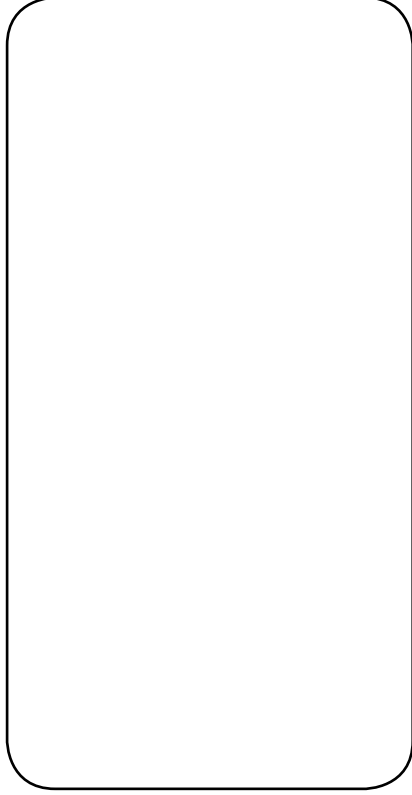
### Auditor

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## Contact us

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### Changes of address - regulatory requirements

FCA regulation requires us to send this report mailing to the address held on file on the accounting date of 30 April 2013. 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 International Fund at any time by logging on to [www.henderson.com](http://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](mailto:support@henderson.com).

### Important information

Henderson Global Investors is the name under which Henderson Global Investors Limited (reg. no. 906355), Henderson Fund Management Limited (reg. no. 2607112), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795354), Henderson Alternative Investment Advisor Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2606646), Gartmore Investment Limited (reg. no. 1508030), (each incorporated and registered in England and Wales with registered office at 201 Bishopsgate, London EC2M 3AE) are authorised and regulated by the Financial Conduct Authority to provide investment products and services. Telephone calls may be recorded and monitored. Ref: 34V.

Unless otherwise stated, all data is sourced by Henderson Global Investors.

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