Henderson

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CREDIT ALPHA FUND

Henderson GLOBAL INVESTORS

Fund facts at 31 May 2015

Structure
Open Ended Investment Company (Sophisticated UCITS)

Domicile
United Kingdom

Launch date
02 July 2007

Minimum investments
$1,000

Subsequent
£100

Share classes available
GBP, EUR, USD

Base currency
GBP

Sedol code
B3KTJD3

Bloomberg code
HENCRAA LN

Fees
Ongoing charge: 1.06%
Annual management fee: 1.50%
Performance fee: 20% of net performance over LIBOR (relative to the hurdle rate and high water mark)

Target return
Benchmark +5% p.a. gross

Benchmark
3 Month LIBOR

Target volatility
Typical vol 3-6%

Target exposure
-0.5x to +0.5x, net 2-3x gross

About the fund

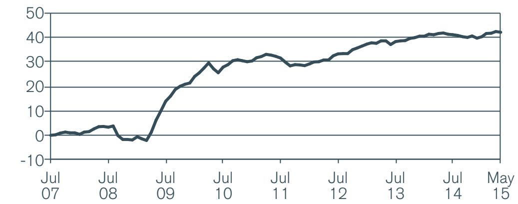
The Henderson Credit Alpha Fund is a long short credit fund primarily taking positions in credit default swaps and corporate bonds. The fund has a global opportunity set spanning high grade and high yield. Currency risk and interest rate risk are hedged using forwards, government bond futures and interest rate swaps.

Fund size £0.89bn

	GBP	EUR
NAV per share	1.42	5.44
1 month	-0.18	-0.26
Year to date	1.69	1.59
1 year	0.22	-0.08
Since inception (annualised)	4.51	1.67

Source: Henderson Global Investors to 29 May 15*

Fund performance GBP



Monthly performance (%)

GBP	2007	2008	2009	2010									
	1.20†	-2.78	26.87	9.37									
GBP	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2011	0.28	0.98	0.40	0.65	-0.18	-0.39	-0.52	-1.33	-1.12	0.33	-0.04	-0.21	-1.18
2012	0.49	0.64	0.05	0.60	0.00	1.27	0.58	0.10	0.00	1.19	0.55	0.58	6.21
2013	0.54	0.36	-0.08	0.72	-0.01	-1.07	0.81	0.28	0.06	0.62	0.36	0.40	2.90
2014	0.00	0.56	-0.13	0.36	0.13	-0.31	-0.13	-0.22	-0.38	-0.23	0.47	-0.64	-0.52
2015	0.44	0.91	0.02	0.49	-0.18								1.69
EUR	2010												
	0.29†												
EUR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2011	0.28	0.96	0.50	0.66	-0.16	-0.31	-0.39	-1.29	-1.08	0.31	-0.05	-0.31	-1.10
2012	0.42	0.61	0.03	0.58	-0.10	1.23	0.57	0.07	-0.03	1.08	0.83	0.52	5.73
2013	0.49	0.34	-0.12	0.69	-0.04	-1.10	0.77	0.27	0.05	0.57	0.65	0.37	2.67
2014	-0.02	0.56	-0.14	0.33	0.11	-0.33	-0.18	-0.24	-0.41	-0.29	0.44	-0.66	-0.83
2015	0.39	0.90	0.04	0.52	-0.26								1.59

Source: Henderson Global Investors to 29 May 15*

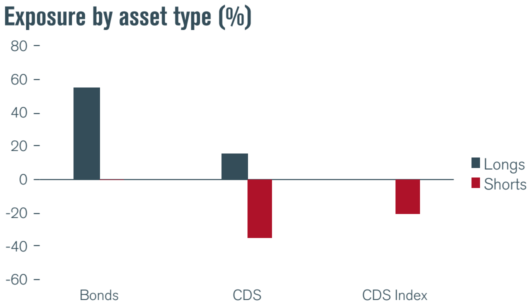
*Performance from inception to 31 March 2010 is on the I Acc gross share class track record net of 1.5% AMC and performance fees to create a simulated A share class return. The A share class return is used from 31 March 2010 onwards. The A share class is net of 1.5% AMC and performance fees. All data is close of business.

Holdings and credit exposures

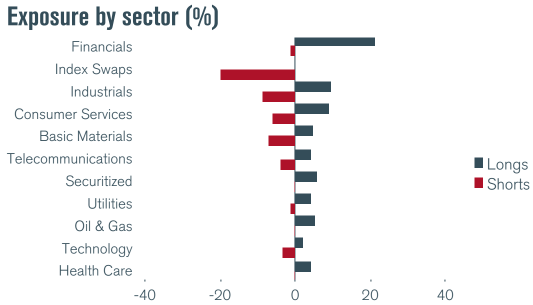
Top five holdings	Rating	Net Exposure %
Royal Caribbean Cruises	BB	2.4
Medtronic	A	2.1
Mexico Government International Bond	BBB	2.1
Deutsche Annington Finance	BBB	2.0
Tesco	BB	2.0

Bottom five holdings	Rating	Net Exposure %
Potash Corp of Saskatchewan	A	-3.7
Deere	A	-3.7
Cisco Systems	A	-3.1
Carlsberg Breweries	BBB	-2.3
Yum! Brands	BBB	-2.0

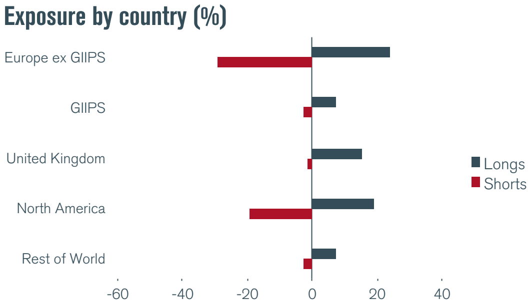
Exposure by asset type (%)



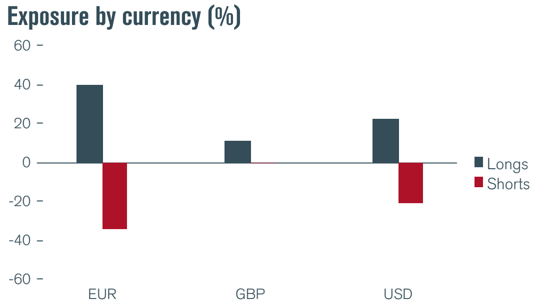
Exposure by sector (%)



Exposure by country (%)



Exposure by currency (%)



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Henderson GLOBAL INVESTORS

Fund manager
Chris Bullock

Fund manager
Tom Ross

Fund manager
Stephen Thariyan

Managers profile

Chris joined Henderson Global Investors in 2003 as a credit analyst. He has been co-manager on the absolute return credit funds since 2006 and subsequently launched the Euro Corporate Bond Fund and Euro High Yield Bond Funds in late 2009 and 2012 respectively. Chris trained as a management accountant with Zeneca and Accenture, before joining Insight Investment as a credit analyst.

Chris graduated with a BEng (Hons) in Chemical Engineering from Aston University and is both a CFA charterholder and member of the Chartered Institute of Management Accountants.

Stephen Thariyan joined Henderson in 2007 as Head of Credit, from Rogge Global Partners where he was a Portfolio Manager of Global Credit and its Absolute Return fund. Stephen started his career in 1988 at Ernst & Young as a Trainee Accountant and then moved to Chevron Corporation as a Senior Auditor. He moved to Gulf Oil in 1994 as a Business and Economic Adviser and then to NatWest Markets as a Director and Senior Credit Analyst.

Stephen graduated from the University of Newcastle-Upon-Tyne with a BA (Hons) in Accountancy and Financial Analysis.

Tom has been co-managing Henderson's absolute return credit funds since 2006. Prior to this, he specialised in credit trading on Henderson's centralised dealing desk. Here he was able to build strong relationships with market participants in order to gain flow and positioning information to supplement credit views.

He joined Henderson in 2002. Tom graduated from Nottingham University with a BSc (Hons) in Biology and is a CFA charterholder.

Managers comments

May was a volatile month for fixed income markets, with government bond yields moving sharply higher as prices fell in the early part of the month. Investment grade credit (corporate bonds) also performed poorly given their sensitivity to interest rates, with longer dated bonds among the worst performers. Lower demand from investors and elevated levels of issuance (particularly from US issuers, both at home and into European credit markets) was also negative for the markets. Meanwhile, higher yielding and lower rated issuers continued to outperform as the search for yield remained strong in this area while issuance remained low.

Over the month, tactical and thematic strategies suffered with longer dated issuers detracting the most. Given the recent weakness in credit markets, activity over the month focused on reducing risk. We did this through reducing exposure to physical bonds and decreasing our exposure to high yield.

In contrast to the previous month, tactical and thematic strategies weakened as a number of positions retraced some of their gains in April. A position in euro denominated 100-year bonds from French utility GDF (and to a lesser degree a 100-year position in sterling denominated Mexican bonds) weakened as a result of the volatility in interest rate markets. We expect this weakness to be temporary and still think the bonds offer value on a longer term basis.

A long position in Spanish construction company Isolux also detracted on concerns over refinancing and investor aversion to the sector, after corruption allegations surfaced at a Latin American competitor. We believe these concerns are overdone and expect the position to improve over time. Offsetting some of the weakness was a new issue from high yield issuer Europcar, which performed well, given attractive valuations and the potential for improvement to the issuer's balance sheet from a likely initial public offering (IPO).

The pair trades strategy was fairly muted over the period, although our long position in cinema chain Odeon continued to outperform versus a short to rival Vue.

We remain cautious on investment grade credit and are selectively reducing our exposure to the asset class. In particular, we see headwinds in the form of technical factors including continuing high levels of new issuance and low investor demand. We still favour high yield over investment grade, given low levels of supply and continued investor demand in the former, but are becoming more cautious given worries of contagion from any further weakness in investment grade markets and continued interest rate volatility.

Important information

For further information please visit our website at
www.henderson.com