

Henderson Cautious Managed Fund



Fund manager
Chris Burvill

Fund facts at 30 December 2011

Fund aim

The fund aims to provide income and long-term capital growth by investing in a combination of company shares and a range of bonds in any country. The fund will invest no more than 60% of its value in company shares.

Launch date

3 February 2003

IMA sector

Mixed Investment 20-60% Shares

Fund size

£813.05m

Yield* (%)

Historic 4.2

Ratings

OBSR - AA
Standard & Poor's - AA
Morningstar - ★★★★★

Type of shares

Accumulation, Income

XD dates

1 Feb, 1 May, 1 Aug, 1 Nov

Dividend pay dates

31 Mar, 30 Jun, 30 Sep, 31 Dec

Minimum investment

Lump sum £1,000
Subsequent £100
Regular saving £100

Charges (%)

Initial 5.00
Annual 1.25

SEDOL numbers

3247763 (A-Accumulation)
3247730 (A-Income)

Fund manager comment

December saw a by now familiar pattern of optimism, ahead of a Euro summit followed by a day or so of perplexity and then resignation surrounding the European Union summit that yet again the peripheral debt nettle had not been grasped. There was some initial concern that the UK's veto to a treaty revision might result in a more permanent schism with Europe, although tensions have since eased. Throughout all this the underlying support for equities (and indeed sterling) remained strong, and the FTSE All-Share Total Return Index returned 0.8% over the month. Given the rally in equities it was surprising to see Gilts end the year so strongly, with the ten year yield finishing below 2.0%. The fund rose by 1.8% over the month and was ranked in the top 25% of funds in its IMA sector for its annual performance in 2011. Defensive shares had a good end to the year and we benefited from a significant rally in Smith and Nephew along with good performances from Go-Ahead Group, GlaxoSmithKline and RPC. A weak end to the year from mining companies also helped our relative performance. Negative performances came from Logica, following another weak trading statement, and Greencore, after a potential bid for the company was abandoned. With continued strong performances from some of our defensive holdings we have taken the opportunity to make small sales of GlaxoSmithKline and Sage. Both of these we continue to like for the longer term but appreciate that they may be moving into short-term overbought territory. Among undervalued situations, we have further raised our holding in Carnival, the cruise operator, believing that it should benefit from a stronger consumer outlook in the US, and have also raised our weighting in Centrica, whose weak performance last year has left the shares on a 5.5% yield, which appears attractive given the strength of the balance sheet and quality of management. Reflecting our more positive stance, equities are now over 50% of the portfolio. Cash has been reduced and further investments have been made into higher yielding corporate debt. Following a strong run in December, which has moved the FTSE 100 Index up to the top of its trading range, there may be a case for a near term pause for breath. Whilst the economic news from the US continues to improve, the search for a solution to the peripheral European debt problem is proving painfully slow. Equity markets seem willing to be patient, aware that stock prices could rise sharply on any perceived permanent settlement. Given low valuations across a range of shares, the chance of some positive developments in the first quarter, and somewhat unattractive valuations for other asset classes we are happy to retain a positive equity stance for the time being.

Please note that as of 1st January 2012 the IMA Cautious Managed sector average changed its name to the IMA Mixed Investment 20-60% Shares sector average.

Top 10 holdings

	(%)
UK Treasury 1.875% 2022	5.6
GlaxoSmithKline	3.6
UK Treasury 2.50% 2016	3.4
BP	3.4
Royal Dutch Shell	3.1
UK Treasury 5.00% 2014	3.0
HSBC	2.9
US Treasury 2.375% 2025	2.8
Vodafone	2.5
AstraZeneca	2.2

Total number of holdings 127

Top 10 sectors

	(%)
Fixed Interest	27.1
Index Linked	13.9
Consumer Services	9.3
Oil & Gas	8.2
Financials	8.1
Health Care	7.2
Consumer Goods	5.3
Industrials	4.3
Telecommunications	3.9
Utilities	2.4

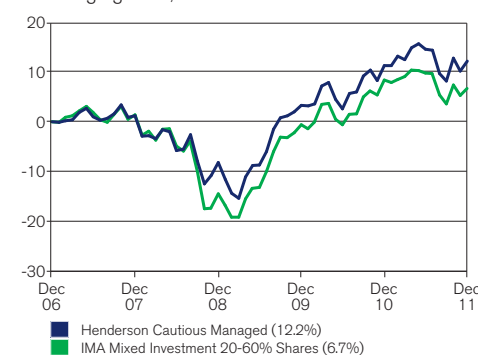
Cash 6.2

Asset breakdown

	(%)
Equities	51.2
Bonds	42.7

Performance

Percentage growth, 29 Dec 06 to 30 Dec 11.



Source: at 30 Dec 11. © 2012 Morningstar. All Rights Reserved, nav-nav, UK sterling, net income reinvested.

Past performance is not a guide to future performance.

Cumulative performance	A (Acc) % change	A (Inc) % change	Sector % change	Quartile ranking†
1 year	0.8	0.8	-1.6	1st
2 years	8.6	8.6	7.3	2nd
3 years	22.2	22.3	24.8	3rd
4 years	10.9	10.9	5.2	2nd
5 years	12.2	11.8	6.7	2nd

Source: at 30 Dec 11. © 2012 Morningstar. All Rights Reserved, nav-nav, UK sterling, net income reinvested.

Discrete year performance	A (Acc) % change	A (Inc) % change
31/12/2010 to 30/12/2011	0.8	0.8
31/12/2009 to 31/12/2010	7.8	7.8
31/12/2008 to 31/12/2009	12.6	12.6
31/12/2007 to 31/12/2008	-9.3	-9.3
29/12/2006 to 31/12/2007	1.2	0.8

Source: at 30 Dec 11. © 2012 Morningstar. All Rights Reserved, nav-nav, UK sterling, net income reinvested.

Discrete performance data may change due to final dividend information being received after quarter end. † 1st quartile means the fund is ranked in the top 25% of funds in its sector.



Henderson Cautious Managed Fund (continued)

General risks

- The value of the Funds and the income from them is not guaranteed and may fall as well as rise. You may get back less than you originally invested.
- Past performance is not a guide to future performance.
- You should note that your tax treatment in relation to any investments held outside an ISA will depend on your individual circumstances and may be subject to change in the future. Governments may change the tax rules which affect you or the Funds in which you have invested.

Risk profile

- Where the Funds invest in assets (including cash) which are denominated in currencies other than the base currency (pounds sterling) then currency exchange rate movements may cause the value of investments to fall as well as rise.
- With funds investing in bonds there is a risk that interest rate fluctuations could affect the capital value of investments. Where long term interest rates rise, the capital value of shares/units is likely to fall, and vice versa. In addition to the interest rate risk, bond investments are also exposed to credit risk reflecting the ability of the borrower (i.e. bond issuer) to meet its obligations (i.e. pay the interest on a bond and return the capital on the redemption date). The risk of this happening is usually higher with bonds classified as 'sub-investment grade'. These may produce a higher level of income but at a higher risk than investments in 'investment grade' bonds. In turn, this may have an adverse impact on funds that invest in such bonds.
- If a Fund's management charge is taken from its capital, then this may allow more income to be paid, however, it may also restrict capital growth or even result in capital erosion over time.

Important information

*Yields are shown net except for bond funds which are shown gross. The Historical Yield reflects distributions declared over the past 12 months as a percentage of the mid-market share price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions. Please note: due to rounding the figures in the holdings breakdowns may not add up to 100%. Unless otherwise indicated all figures sourced from Morningstar, Datastream, BNP Paribas and Henderson Global Investors. The fund may use derivatives for the purposes of efficient portfolio management or for investment purposes but these are unlikely to significantly increase the risk profile of the fund. Please note the views, opinions and forecasts expressed in this document are based on Henderson's research, analysis and house views at the time of publication. No recommendations to buy or sell investments are implied. Third party data is believed to be reliable, but its completeness and accuracy is not guaranteed. Fund size at 12pm on last business day of month. 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. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. If you invest through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially. Issued in the UK by Henderson Global Investors. 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), (each incorporated and registered in England and Wales with registered office at 201 Bishopsgate, London EC2M 3AE), Gartmore Investment Limited (reg. no. 1508030), Gartmore Fund Managers Limited (reg. no. 1137353), (each incorporated and registered in England and Wales with registered office 201 Bishopsgate, London EC2M 3AE) are authorised and regulated by the Financial Services Authority to provide investment products and services.

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