

Henderson Institutional

# Emerging Markets

Fund

## Short Report

For the six months ended 30 April 2013

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### Fund Manager

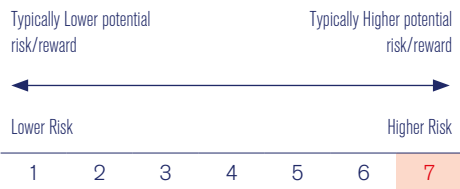
Claire Orme

### Investment objective and policy

To aim to provide capital growth by investing in emerging market companies. These companies will either be incorporated in emerging markets or, if incorporated elsewhere, derive a majority of their revenue from, or from activities related to, emerging markets. For the avoidance of doubt the Fund may also invest in securities of other investment vehicles whose objectives are compatible with that of the Fund.

### Synthetic risk and reward profile

The Fund currently has 3 types of shares in issue; A accumulation, I accumulation and Z 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

- The Fund focuses on countries that have less developed markets
- 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 emerging markets enjoyed strong performance during the period (in local currency terms), led by Argentina (+65.5%), Thailand (+23.0%) and Turkey (+18.6%). Brazil (-2.0%) and Russia (-1.9%) were the only countries to lose ground over the period.

European, Middle Eastern and African markets were volatile over the period but managed to finish higher. Equities were boosted by supportive data from the US housing and labour markets, firmer central bank liquidity measures from the Federal Reserve, European Central Bank and the Bank of Japan, as well as signs of a stabilisation of economic indicators in China. Towards the end of the period, however, a combination of an inconclusive election in Italy (creating uncertainty over leadership and policy continuity), the initially punitive terms for

bank depositors contained within the euro group bailout package for Cyprus, and global energy price inflationary pressures resulted in market fluctuations.

In China, whilst macroeconomic data was initially solid, the tightening of controls over local government financing as well as increased scrutiny over rapidly expanding forms of lending in the financial system (such as trust loans) affected economic and investor sentiment. This was also compounded by uncertainty surrounding a once-in-a-decade leadership transition taking place. Consequently, the pace of economic growth started to ease towards the end of the review period. India was another notable underperformer. In spite of some encouraging signs of a reactivated economic reform and deregulation agenda, including liberalising retail foreign direct investment (FDI) rules, disappointing macroeconomic data, notably regarding the current account deficit, industrial production and consumer price inflation (CPI), combined with a weak currency to subdue equity market performance. Southeast Asia continued its strong run. The Philippines outperformed the rest of the region as gross domestic product growth, the fiscal balance and inflation all surprised positively and the government made further progress with its public-private-partnership (PPP) infrastructure development programme. Thailand and Indonesia also outperformed strongly from the combination of strong consumption, industrial and domestic investment activity growth.

Over in Latin America, the Brazilian economy displayed some signs of a recovery towards the end of 2012. Retail sales expanded after a series of interest rate cuts and tax law changes spurred consumer transactions. Industrial production in Brazil has contracted for much of 2012 and continued to be hampered by low levels of

investment in both the state and private sector due to a lack of transparency in regulation, rising costs, and continuing fears over the global economy. Mexico was a strong performer in the first quarter of 2013 thanks to a sharp rally in the Mexican peso. This performance came in spite of an unexpected move by the Mexican central bank to reduce interest rates to a record low of 4.0%.

Over the review period, the strongest sectors in the MSCI Emerging Markets Index were financials, information technology and consumer staples while materials and energy were laggards. On a stock basis, the key contributors to index returns included Samsung Electronics and Taiwan Semiconductor Manufacturing Co. as well as financials China Construction Bank, and Brazilian lenders Itau Unibanco and Banco Bradesco. Conversely, energy and commodity companies America Movil, AngloGold Ashanti and Gazprom were among the detractors on sector weakness.

Over the period, the Fund rose 6.1% using the midday net asset value (NAV) price. Using the like-for-like closing gross asset value (GAV) price, the Fund gained 7.6%, compared with a rise of 9.1% in the MSCI Emerging Markets Net Return Index in sterling terms.

The global macroeconomic outlook remains uncertain as the Chinese economy continues to modestly disappoint. This is creating a headwind for some of the commodity-oriented emerging market economies that were beneficiaries of the resource boom of the last decade. However, there will also be winners from this changing trend. Valuations in emerging markets are broadly supportive and we see plenty of opportunities for companies to grow their profits in the current environment.

Source for individual country index performance: respective MSCI net dividend indices from Factset.

## Discrete annual performance

	1 May 12 – 30 Apr 13	1 May 11 – 30 Apr 12	1 May 10 – 30 Apr 11	1 May 09 – 30 Apr 10	1 May 08– 30 Apr 09
Henderson Institutional Emerging Markets Fund*	6.8	(9.7)	9.6	48.9	(21.0)
Henderson Institutional Emerging Markets Fund**	4.2	(10.9)	7.5	46.2	(21.4)
MSCI Emerging (net dividend) index	8.5	(10.2)	10.7	52.1	(23.7)

\* Source for closing prices GAV - Henderson Global Investors, MSCI Emerging Market (net dividend) Index.

\*\* Source for midday prices: Morning star, mid-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* 30/04/13 p	Net asset value* 31/10/12 p	Net asset value % change
Class A accumulation	259.91	243.87	6.58
Class I accumulation	276.29	258.31	6.96
Class Z accumulation	302.98	281.87	7.49

\*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 %	31/10/12 %
Class A	1.80	1.84
Class I	1.08	1.12
Class Z	0.08	0.11

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 (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
<b>Class X accumulation</b>			
2008	1.18	234.00	109.30
2009	1.43	231.50	126.50
2010**	-	239.60	229.70
<b>Class A accumulation</b>			
2008	1.87	241.80	113.20
2009	1.99	240.80	131.10
2010	1.27	288.10	223.60
2011	1.99	291.90	211.70
2012	1.88	267.30	220.20
2013	-*	279.40+	254.20+
<b>Class I accumulation</b>			
2008	3.45	249.40	117.00
2009	3.96	250.10	135.70
2010	3.49	303.30	232.30
2011	4.08	305.30	222.60
2012	3.87	281.90	231.80
2013	-*	296.80+	270.20+
<b>Class Z accumulation</b>			
2008	6.68	261.00	122.80
2009	4.79	265.20	142.90
2010	6.05	324.80	246.60
2011	8.96	327.10	240.40
2012	8.86	306.60	250.50
2013	-*	325.60+	297.20+

\* to 28 June

+ to 30 April

\*\* X share class merged with A share class 11 January 2010.

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

Major holdings	
as at 30/04/13	%
iShares MSCI Taiwan	5.14
Samsung Electronics	4.71
China Mobile	2.14
Cia De Bebidas Preference	2.03
China Construction	2.02
Petroleo Brasileiro Preference	1.81
Banco Bredesco Preference	1.66
Industrial & Commercial Bank of China 'H'	1.62
America Movil ADR	1.59
Banco Itau Financeira Preference	1.56

Asset allocation	
as at 30/04/13	%
China	17.89
Korea	14.54
Brazil	12.05
India	7.52
South Africa	7.35
Russia	6.09
Ireland	5.14
Mexico	4.79
Malaysia	3.87
Others	15.42
Derivatives	(0.07)
Net other assets	5.41
<b>Total</b>	<b>100.00</b>

Major holdings	
as at 31/10/12	%
iShares MSCI Taiwan	4.64
Samsung Electronics	4.37
Petroleo Brasileiro Preference	2.49
China Mobile	2.40
Cia De Bebidas Preference	1.97
America Movil ADR	1.88
China Construction	1.82
Astra International	1.65
Public Bank Berhad (Alien Market)	1.59
Industrial & Commercial Bank of China 'H'	1.52

Asset allocation	
as at 31/10/12	%
China	18.81
Korea	15.46
Brazil	12.51
South Africa	7.88
India	6.98
Russia	6.36
Mexico	4.72
Ireland	4.64
Malaysia	4.12
Indonesia	2.78
Others	11.12
Net other assets	4.62
<b>Total</b>	<b>100.00</b>

## Report and accounts

This document is a short report of the Henderson Institutional Emerging Markets 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

### Depositary

National Westminster Bank Plc  
135 Bishopsgate  
London EC2M 3UR

## Risk warning

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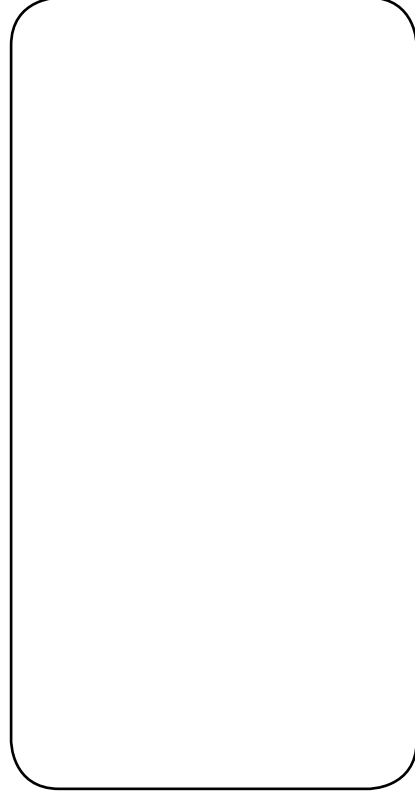
### Auditor

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Glasgow G2 7EQ

## 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 Institutional Emerging Markets 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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