HENDERSON
High Yield Monthly Income (OEIC)

OBSR Fund Rating

AA / Silver

OBSR FUND RATINGS

Key Information

Launch Date	14 October 2002	
Fund Size	£168.3m	
Type of Shares Available	Income	
Distribution Dates	Monthly	
Distribution Yield	5.60%	
ISA	Yes	
ISA Transfer	Yes	
Standard Fund Management Charges	**Initial**	4.25%
	Annual	1.00%

Classification

Sector	Sterling Strategic Bond
OBSR Category	High Yield Bias
Benchmark/Index	n/a

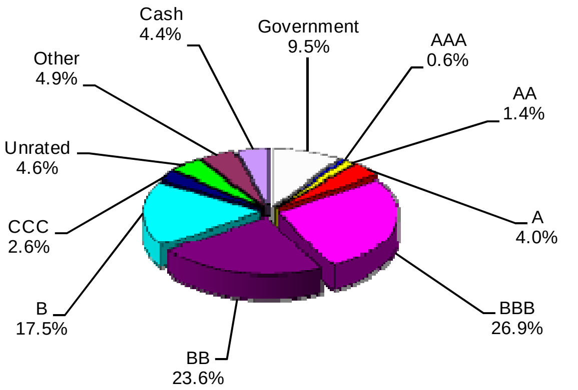
Management/Investment Style

Fund Managers	John Pattullo (June 2011) Jenna Barnard (June 2011)

Provides investors with a diversified portfolio fixed income securities which is managed with income generation in mind. Derivatives may be used for efficient portfolio management as well as investment purposes.

Asset Distribution - Credit Rating

Source: Henderson



Top Ten Holdings

Top Ten Holdings	%
UK Treasury 5% 3/2012	8.2
Goodman 9.75% 2018	2.3
Ziggo Bond 8% 2018	2.3
Henderson 6.5% 2012	2.0
Virgin Media 8.875% 2019	2.0
Legal & General 6.385% 5/2017	1.9
Rexam 6.75% 6/2067	1.9
Daily Mail & General Trust 5.75% 2018	1.8
THPA Finance 7.127% 2024	1.6
Kabel 6.5% 2018	1.6
Concentration (Top 10)	25.7
Total Number of Holdings	131

Source: Henderson

Investment Objective & Methodology

The fund seeks to achieve a high level of income with modest long term capital appreciation. The fund will invest principally in fixed and variable rate and index-related securities, both in the UK and internationally

The fund is managed by John Pattullo, Director of Fixed Income and Jenna Barnard. Mr Pattullo joined Henderson in 1997 while Ms Barnard joined the company in 2002. They have worked together since 2003 and they are members of the retail fixed income team which is part of the broader, well resourced Henderson fixed interest team. This fund was part of the New Star range of funds that was acquired by Henderson in 2009.

The managers take an active approach to running the fund and believe that the flexibility to allocate strategically across the fixed income spectrum is key to generating attractive performance. This approach is facilitated by the fact that the fund is a sophisticated UCITS III vehicle, which means that they are able to use long/short strategies for both interest rate and credit risk management through interest rate futures and credit derivatives (credit default swaps). The managers are very focused on macro-economic and market factors and their assessment of the top-down backdrop influences the structure of the fund as they acknowledge that different areas of the fixed income market perform well at different times. In this analysis, they consider factors such as the outlook for growth, inflation and interest rates, the default cycle, credit positioning and sector analysis. They are also focused on the economic and political factors that are expected to influence the shape of the yield curve over the short and longer-term. These top-down views are married with stock specific analysis. They are highly valuation-conscious and assess a company and its business as well as its overall credit risk through balance sheet and capital structure analysis. They express the strategic and tactical views that result from their top-down and bottom-up analysis through both traditional fixed income investing as well as derivatives. The use of futures and credit derivatives helps them to orientate the fund as they wish in a potentially more efficient and cost-effective way. Derivatives can be used to express views (both positive and negative) on duration, broad credit markets and individual credits. At times when the managers have high conviction views and anticipate clear market trends, they seek to position the portfolio to benefit from these; on the other hand, at times when they believe the outlook to be less certain, they seek to blend lowly correlated positions to create a relatively defensive portfolio.

The portfolio is well diversified across the bond spectrum with the managers taking an active approach to allocating across the credit curve, as well as positioning the fund as they see appropriate for the prevailing environment. They may also use derivatives for hedging purposes as well as for investment purposes. In managing the portfolio, they are aware of the monthly income paying requirements but not at the expense of protecting capital where appropriate.

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Data as at 31 December 2011
Last Updated January 2012