

HENDERSON Preference & Bond (OEIC)

OBSR Fund Rating
AAA /  Gold

 **FUND
RATINGS**

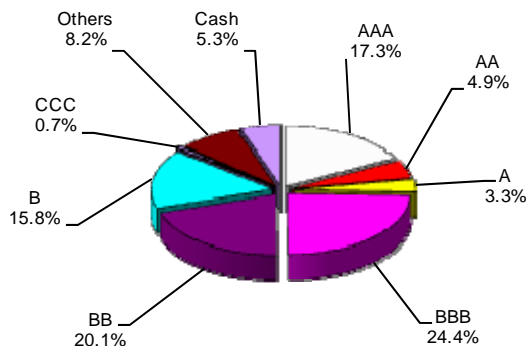
Key Information

Launch Date	9 October 1978	
Fund Size	£567.6m	
Type of Shares Available	Income	
Distribution Dates	28 February, 31 May, 31 August, 30 November	
Distribution Yield	6.30%	
ISA	Yes	
ISA Transfer	Yes	
Standard Fund Management Charges*	Initial	4.00%
	Annual	1.25%

*Class A Shares

Asset Distribution

Source: Henderson



Top Ten Holdings

	%
UK Treasury 5% 3/2012	8.1
US Treasury 0.125% 31/8/2013	4.9
UK Treasury 4.5% 2013	4.7
UK Gilt 5.25% 2012	3.9
Legal & General 6.385% 5/2017	2.4
BUPA 9/2049	2.2
Ziggo Bond 8% 2018	1.8
ITV 5.375% 2015	1.8
Royal & Sun 6.701%	1.6
Rexam 6.75 6/2067	1.3
Concentration (Top 10)	32.7
Total Number of Holdings	195

Source: Henderson

Classification

Sector	Sterling Strategic Bond
OBSR Category	Strategic
Benchmark/Index	Sterling Strategic Bond

Management/Investment Style

Fund Managers	John Pattullo (October 2001) Jenna Barnard (January 2006)
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The fund offers investors a diversified fixed income fund that seeks to generate an attractive level of income. The managers invest actively across the fixed income spectrum with a strategic mindset, using the flexibility afforded by the fund's sophisticated UCITS III status to position the fund through both traditional fixed income securities and derivatives.

Investment Objective & Methodology

The fund seeks to provide a return by investing primarily in sterling denominated preference shares, government securities, corporate bonds, eurobonds and other bonds. The fund may invest in other transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes. The managers seek to generate an attractive level of income and to deliver a level of performance that is in keeping with other UK corporate bond funds but with lower volatility through diversification.

The fund is managed by John Pattullo and Jenna Barnard. Mr Pattullo is Director of Fixed Income and has managed the fund since October 2001. He was responsible for the high yield element of the fund for three years prior to this date. In January 2006 Jenna Barnard was named as co-manager. They are members of the retail fixed income team at Henderson New Star, which is part of the broader, well resourced Henderson New Star fixed interest team,

The managers seek to provide an attractive level of yield for their investors whilst also striving to preserve capital. They take an active approach to managing the fund and believe that the flexibility to invest 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, diversified 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.

While the managers are focused on generating an attractive level of income, there is no income target and the total return can be generated from capital growth and/or income, depending upon market conditions. Income is paid out on a quarterly basis. The portfolio is well-diversified and can be invested across the fixed income spectrum, including government bonds, investment grade bonds, high yield bonds, loans, asset-backed securities, convertibles, preference shares and cash. The manager limits the maximum size of any one holding to 2.5% of the fund by value to reduce the impact of stock-specific risk. For higher-yielding bonds the maximum limit is reduced to 1% of the portfolio per stock, again for risk control reasons. In terms of derivatives, as this is categorised as a sophisticated UCITS III fund, derivatives may be used for both hedging purposes and for expressing outright positive or negative views. Cash can be used as a defensive measure when it is deemed appropriate.

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Data as at 31 December 2011
Last Updated January 2012