

Henderson Group

Morgan Stanley conference

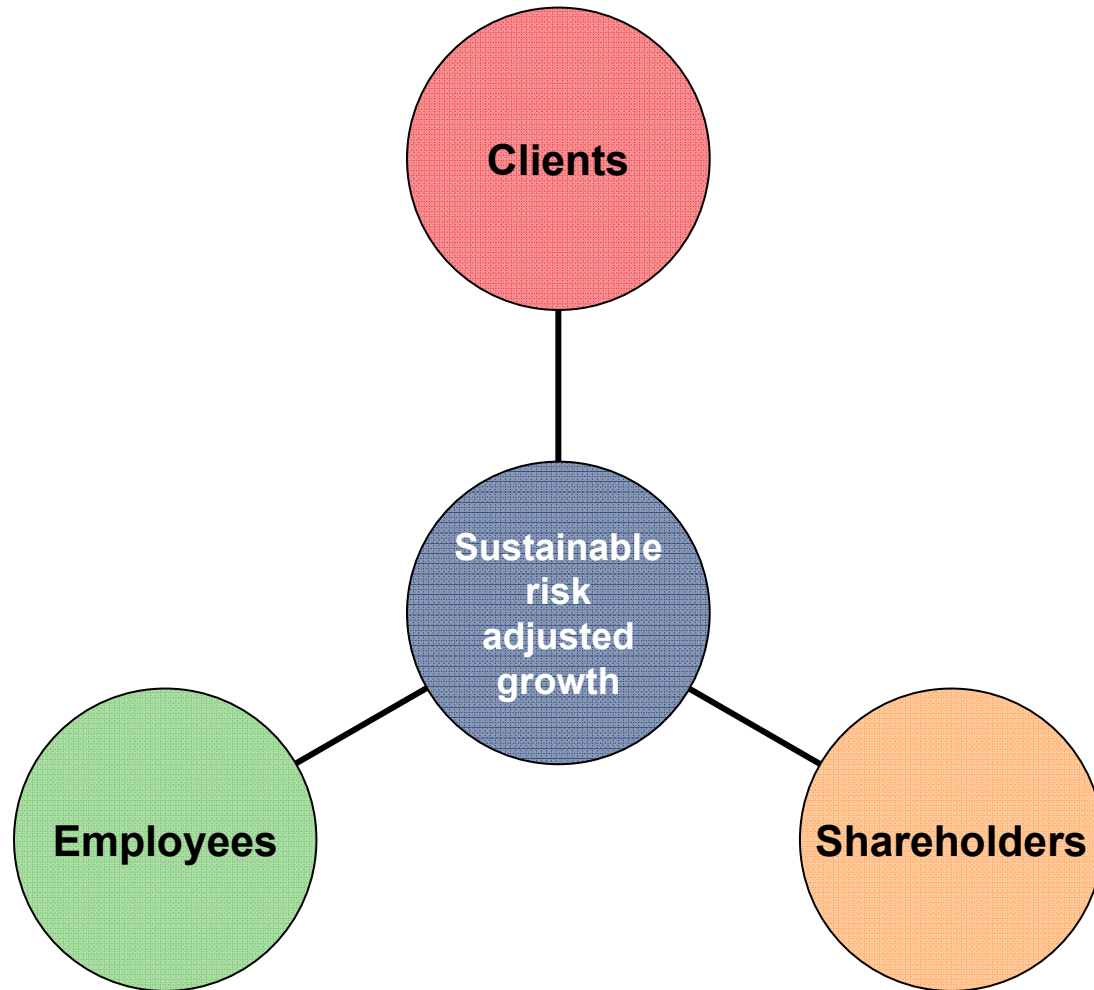
Delivering sustainable risk-adjusted growth

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What drives sustainable risk adjusted growth?



Clients

- Develop solutions for their needs
- Add value to their investment portfolios
- Deliver good investment performance
- Provide consistent high quality service

Employees

- Align interests with clients and shareholders
- Make them owners of the business
 - Equity ownership
 - Share in success and growth of business
 - Deferrals
- Culture both supportive and autonomous
- But with strong risk and compliance oversight

Shareholders

- Organic growth vs acquisitions
 - Organic growth is primary source of growth
 - Remain alert to opportunities – not taking risk can be risky in itself
 - New Star / Gartmore
- Benefit and importance of being independent listed company
- Focus on long term metrics
- If we get clients and employees right, greater shareholder returns will follow

Asset management industry growth









Drivers over past few decades

Demand orientated	1	Favourable demographics
	2	Rise in inequality
	3	Migration from unmanaged to managed assets
	4	Making and funding of occupational commitments
	5	Emergence of sovereign funds
Supply orientated	6	Boom in financial markets total capitalisation
	7	Diversification of portfolio structures
	8	Fee stability or expansion with asset mix shift

Source: 2010 Oliver Wyman; www.oliverwyman.com

Which growth drivers maintained going forward?

Few

1	Favourable demographics		<ul style="list-style-type: none"> • From 20% to 0% growth of peak savers • From 10% to 35% growth of dis-savers
2	Rise in inequality		<ul style="list-style-type: none"> • Unclear, but austerity measures, tax and politicisation of comp suggests it has peaked
3	Migration to managed assets		<ul style="list-style-type: none"> • Very few unmanaged assets left to capture • Need for banks to rebuild B-S, and rise of ETFs suggest trend may be reverse
4	Making and funding of pension funds		<ul style="list-style-type: none"> • No new DB schemes: closure of most • Av. DC scheme funding 9% salary vs. DB 20%
5	Growth of sovereign funds		<ul style="list-style-type: none"> • Still potential of EM and sovereign debt growth • Wave of privatisation, corp. debt expansion over
6	Boom in market cap		<ul style="list-style-type: none"> • Wave of privatisation, corp. debt expansion over • Still potential of EM and sovereign debt growth
7	Diversification of portfolio		<ul style="list-style-type: none"> • Major wave diversification complete • DC allocations much more prosaic; DB to de-risk
8	Fee expansion		<ul style="list-style-type: none"> • Mix shift towards fixed income and passive • Regulatory changes make producer fees clearer

Source: 2010 Oliver Wyman; www.oliverwyman.com

Industry challenges

- Investor confidence
- Regulatory oversight
- Consistently generating returns
- Investment horizon

Industry opportunities

- Absolute not relative focus
- Simplistic sophistication
- Trusted partner

What will the industry be like in the future?

- Specialist mandates
 - Regional mandates
 - Developed markets
 - Products
 - Relative returns
- 
- *Multi-asset mandates*
 - *Global mandates*
 - *Emerging markets*
 - *Solutions and outcomes*
 - *Absolute returns*

How is Henderson placed?

For our clients

- Active manager, trusted partner
- Diverse product solutions and capabilities
- Product strength in traditional long-only and absolute return
- Focused on high quality client service

For our employees

- Follow team approach; no house style
 - Aligned with clients interests – fee sharing
 - Aligned with shareholders' interests – equity ownership
- Strong risk and compliance culture

For our shareholders

- Improve total fee margins; 48bps (FY06) to 62bps (FY10)
 - Focus on improving long-term KPIs
- Diversity of business; offers opportunity and protection in all markets
- Progressive dividend policy

Final thought...

“Innovation must mean better products for clients, nothing else...”

Source: Amin Rajan, Create

The most successful companies will be those that listen to their clients...

Outlook and priorities

- Optimistic about outlook for markets
- Maintain momentum in good investment performance
- We are well placed to
 - grow our business
 - combine organic growth with benefits of Gartmore acquisition
 - improve operational efficiencies
- Keep clients' needs at the centre of what we do

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