

# Henderson Diversified Income Limited

**Annual General Meeting 2011**

# Letter from the Chairman

## Dear Shareholders

The Notice of our fourth Annual General Meeting, which is to be held on Tuesday 8 March 2011 at 11am at Liberté House, 19-23 La Motte Street, St. Helier, Jersey JE2 4SY is set out on pages 2 and 3 of this document. This year the Company is obliged to consider some changes to its Articles of Association in order to meet the requirements of the UK Listing Authority, and a full explanation of the need for these changes is set out in the Explanatory Notes. I also refer you to the Company's Annual Report and Financial Statements for the year ended 31 October 2010, which is being sent out to shareholders with this document.

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company's shareholders as a whole. The Board therefore recommends unanimously to shareholders that they vote in favour of each of the resolutions, as the Directors intend to do in respect of their own beneficial holdings.

Yours faithfully

**Paul Manduca**

*Chairman*

27 January 2011

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you should consult your stockbroker, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the UK, the Financial Services (Jersey) Law 1998 if you are resident in Jersey, or if you are resident elsewhere from another appropriately independent professional adviser in your own jurisdiction.

If you have sold, transferred or otherwise disposed of all your shares in Henderson Diversified Income Limited (the 'Company'), please pass this circular and the accompanying Form of Proxy to the stockbroker, bank or other agent through whom you made the sale, transfer or disposal for transmission to the purchaser or transferee, except that such documents should not be sent to any jurisdiction under any circumstances where to do so might constitute a violation of local securities laws and regulations. If you have sold or transferred or otherwise disposed of only part of your holding of shares in the Company, you should retain this circular and the accompanying Form of Proxy and consult the stockbroker, bank or other agent through whom you made the sale, transfer or disposal.

# Henderson Diversified Income Limited

(a closed-end investment company registered with limited liability in Jersey under the Companies (Jersey) Law 1991 with registered number 97669)

## Notice of Annual General Meeting

Notice is hereby given that the fourth Annual General Meeting of Henderson Diversified Income Limited ('the Company') will be held at Liberté House, 19-23 La Motte Street, St. Helier, Jersey JE2 4SY on **Tuesday 8 March 2011 at 11am** for the following purposes:

### Ordinary Business

- 1 To receive the Report of the Directors and audited Financial Statements for the year ended 31 October 2010, together with the auditors' report thereon.
- 2 To approve the Directors' Remuneration Report.
- 3 To re-elect Mr David Smith as a Director.
- 4 To re-appoint Grant Thornton Limited as independent auditors and to authorise the Directors to agree their remuneration.

### Special Business

As special business, to consider the following Resolutions, which will be proposed as Special Resolutions in the case of resolutions 5, 6 and 7 and a Special Resolution requiring three quarters of voting shareholders to approve, in the case of Resolution 8:

- 5 THAT, the Company be and is hereby generally and unconditionally authorised to make one or more market purchases on a stock exchange of, and to cancel, or (subject to Resolution 6) hold as treasury shares, ordinary shares of no par value in the capital of the Company ('shares'), pursuant to Article 57 of the Companies (Jersey) Law 1991, as amended (the 'Law'), provided that:

(a) the maximum number of shares hereby authorised to be purchased is 14.99 per cent. of the issued share capital of the Company as at the date of the passing of this Resolution;

(b) the maximum price, exclusive of expenses, which may be paid for a share shall not be more than the higher of (i) an amount equal to 105 per cent. of the average of the middle market quotations for a share taken from the Official List for the five business days immediately preceding the day on which the share is purchased; and (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out;

(c) the minimum price, exclusive of expenses, which may be paid for a share is one penny;

(d) the Directors of the Company can, prior to each such purchase, make the solvency statement required by the Law and fulfil all other requirements of the Law in relation to purchases of a company's own shares; and

(e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 18 months from the passing of this Resolution, unless such authority is renewed prior to such time.

- 6 THAT, the Company be and is hereby generally and unconditionally authorised to hold up to 10% of the Company's own shares (whether purchased pursuant to Resolution 5 or otherwise) as treasury shares pursuant and subject to Articles 58A and 58B of the Companies (Jersey) Law 1991, as amended.

- 7 THAT the Articles of Association contained in the printed document tabled at the fourth Annual General Meeting of the Company be and are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company.

## Notice of Annual General Meeting

continued

### Special Resolution requiring three quarters of voting shareholders to approve.

8 THAT, subject to and conditional upon the passing of Resolution 7 above, for the purposes of Article 2.9 of the Company's articles of association as adopted pursuant to Resolution 7, the Company may issue equity securities (as defined in that Article) up to a maximum amount of 8,364,087 shares representing 10% of the total number of shares in issue as at the date of this resolution, provided that such disapplication shall expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting by special resolution passed by three quarters of shareholders voting thereon) at the earlier of the conclusion of the annual general meeting of the Company to be held in 2012 or eighteen months from the date of this resolution but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities

to be issued after such expiry and the directors of the Company may issue equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.

By order of the Board

BNP Paribas Securities Services Fund  
Administration Limited  
Secretary

Registered Office:  
Liberté House  
19-23 La Motte Street  
St. Helier  
Jersey JE2 4SY  
27 January 2011

## Notes to the Notice of Annual General Meeting

- (i) A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.
- (ii) Instruments of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to The Registrars, Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES so as to arrive not less than forty eight hours before the time fixed for the meeting.
- (iii) In accordance with Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, to have the right to attend and vote at the meeting referred to above a member must first have his or her name entered in the Company's register of members by not later than forty eight hours before the time fixed for the meeting (or, in the event that the meeting be adjourned, on the register of members forty eight hours before the time of the adjourned meeting). Changes to entries on that register after that time (or, in the event that the meeting is adjourned, on the register of members less than forty eight hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.
- (iv) Pursuant to Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, the Company specifies that only those shareholders entered on the register of members of the Company as at 11am on 6 March 2011 or, in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries on the register of member after 11am on 6 March 2011 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at

## Notes to the Notice of AGM

continued

the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

- (v) No Director has a service contract with the Company.
- (vi) The Register of Directors' interests is kept by the Company and available for inspection.

As at 26 January 2011 (being the last business day prior to the publication of this notice) the Company's issued share capital comprised 83,640,877 ordinary shares of no par value. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 26 January 2011 was 83,640,877.

- (vii) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual, which is available to download from the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's

specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the Issuer's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in note (ii) above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Article 33 of the Companies (Uncertificated Securities) (Jersey) Order 1999.

### Warning to Shareholders

Shareholders should be wary of unsolicited telephone calls or correspondence concerning the Company and offering investment advice, offers to buy shares at a discount or free company reports.

It is extremely unlikely that Henderson Diversified Income Limited, its Manager (Henderson Global Investors) its Secretary/Administrator (BNP Paribas Securities Services Fund Administration Limited) or its Registrar (Computershare Investor Services (Jersey) Limited) would make unsolicited telephone calls to shareholders. In the event that the Company or its advisers did make unsolicited calls, shareholders would never be asked to confirm their personal details and such calls would relate only to official documentation already circulated to shareholders and never be in respect of offering investment advice, or unpublished investment or financial information regarding the Company.

If you are in any doubt about the veracity of an unsolicited phone call, please call the Company Secretary at the telephone number provided in the back of the Annual Report.

## Explanatory Notes:

The information set out below is an explanation of the business to be considered at the 2011 AGM

### **Resolution 1: Company's Report and Financial Statements** (ordinary resolution)

The Directors are required to present the Report and Financial Statements and the Report of the Directors and Auditors' Report in respect of the financial year ended 31 October 2010 to the meeting.

### **Resolution 2: Approval of the Directors' Remuneration Report** (ordinary resolution)

Shareholders are requested to approve the Directors' Report on Remuneration, which is set out on page 21 of the Annual Report and Financial Statements.

### **Resolution 3: Re-election of a Director** (ordinary resolution)

The Articles of Association of the Company require some of the Directors to retire at each AGM. Mr David Smith is seeking re-election on a rotational basis.

Biographical details for the Directors are shown on page 2 of the Annual Report.

### **Resolution 4: Re-appointment and remuneration of the auditors** (ordinary resolution)

Shareholders are required to approve the appointment of the Company's auditors Grant Thornton Limited each year and to give directors the authority to determine the auditors' remuneration. Grant Thornton Limited have expressed their willingness to continue as auditors to the Company.

### **Special Business**

#### **Resolution 5: Repurchase of the Company's Ordinary Shares** (special resolution)

On 24 February 2010 the Directors were granted authority to repurchase up to 14.99% of the issued share capital as at that date for cancellation or to be held in treasury. The Directors have not bought back any shares as at the date of this Notice of AGM.

Resolution 5 seeks to renew the Company's authority to buy back shares. The authority under this resolution is limited to the purchase of a maximum of 14.99% of the ordinary shares in issue at the date of the passing of this resolution. The minimum price which may be paid for an ordinary share is one penny (exclusive of expenses). The maximum price (exclusive of expenses) which may be paid for an ordinary share is an amount equal to 105% of the average middle market quotations for an ordinary share taken from the London Stock

Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased, or such other amount as may be specified by the UK Listing Authority from time to time. Both the minimum and maximum price are exclusive of any relevant tax and expenses payable by the Company. The Company may cancel or hold in treasury any shares bought back under this authority.

The Directors believe that, from time to time and subject to market conditions, it will continue to be in the shareholders' interests to buy back the Company's shares when they are trading at a discount to the underlying net asset value per share. The authority being sought provides an additional source of potential demand for the Company's shares. The Company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to shareholders. This proposal does not indicate that the Company will purchase shares at any particular time or price, nor imply any opinion on the part of the Directors as to the market or other value of the Company's shares.

This authority will expire at the conclusion of the 2012 AGM or within 18 months from the date of the passing of this resolution (whichever is earlier) and it is the present intention of the Directors to seek a similar authority annually.

#### **Resolution 6: Treasury shares** (special resolution)

The Directors are seeking authority to hold up to 10% of the Company's own shares which have been repurchased pursuant to Resolution 5 or otherwise as treasury shares.

#### **Resolutions 7 (special resolution) and 8 (special resolution requiring three quarters of shareholders voting to approve):**

#### **Amendments to Articles and disapplication of pre-emption rights**

There are no provisions under Jersey law which confer rights of pre-emption upon the issue or sale of any class of shares in the Company. Accordingly, the Articles of Association authorise the Directors to allot an unlimited number of shares without pre-emption rights applying for shareholders. Shares will only be issued at a premium to the prevailing net asset value per share and, therefore, will not be disadvantageous to existing shareholders or warrant holders. Any future issues of shares will be carried out in accordance with the Listing Rules. During the year no new shares were issued.

## Explanatory Notes:

The information set out below is an explanation of the business to be considered at the 2011 AGM

### Amendments to Articles

The Company currently has a listing on the Premium segment of the official list of the UK Listing Authority. From 6 April 2010, the structure of the UK listing regime changed primarily as a result of the evolution of UK and global markets but also to reduce the potential for confusion over the current regime. The Financial Services Authority (FSA) has replaced primary and secondary listing with premium and standard listing. All closed end investment funds are required to have a premium listing.

The FSA has also taken the opportunity to bring the requirements for overseas companies in relation to corporate governance and pre-emption rights into line with those for UK companies. Although at present, as an overseas company with a premium listing, the Company is generally subject to the same regulatory requirements as a UK company, it previously benefited from less onerous requirements in relation to corporate governance. In addition, as a Jersey incorporated entity, it has not previously been subject to pre-emption rights under Jersey law nor under its articles of association. With effect from 6 April 2010, all overseas companies with a premium listing are required to:

- Include in their annual report and financial statements an amended corporate governance statement, confirming compliance with the UK Corporate Governance Code or explaining any aspect of non-compliance (rather than stating whether they comply with the corporate governance regime in their home state and describing how their actual practices differ from the UK Corporate Governance Code); and
- Offer pre-emption rights to their existing shareholders when they make an offer of new shares for cash (with a 12-month period to implement).

In light of the new requirement to offer pre-emption rights to shareholders, your Board is taking the opportunity to amend the Company's articles of association ('Articles') at the Annual General Meeting to incorporate the necessary changes. The new provision will require the Company, unless previously disapplied by a special resolution (which will require three quarters rather than two thirds of shareholders voting to vote in favour), to first offer any new shares or securities (or rights to subscribe for, or to convert or exchange into, shares) proposed to be issued for cash to shareholders in proportion to their holdings in the Company.

The pre-emption provisions proposed in the Articles are designed to follow, in so far as possible, those which exist in relation to companies incorporated in the United Kingdom and governed by the United Kingdom Companies Act 2006. The special resolution which has been proposed to disapply pre-emption rights requires three quarters of shareholders to vote in favour of it rather than two thirds in order to follow the United Kingdom position.

In addition to including pre-emption provisions the proposed changes to the Articles also:

- Reduce the notice period for annual general meetings and meetings at which special resolutions are proposed from 21 to 14 days; and
- Remove the upper age limit for directors in order to seek to comply with relevant United Kingdom laws in relation to age discrimination.

A blacklined copy of the Articles showing the proposed amendments is available from the Company Secretary at the registered office address.

The proposed adoption of new Articles to incorporate these changes is set out in Resolution 7, a Special Resolution, to be proposed at the Annual General Meeting. The adoption of new Articles has been notified to the Jersey Financial Services Commission. The Company is currently authorised by the Articles to issue an unlimited number of new shares. In order to continue with such share issues, your Board is therefore also proposing that an annual disapplication of the new pre-emption rights is given to the Directors so that they may continue to issue shares as and when appropriate. Accordingly, Resolution 8, a Special Resolution requiring three quarters of shareholders voting to vote in favour, proposes a disapplication of the new pre-emption rights in respect of 10% of the shares in issue, set to expire on the earlier of eighteen months from the date of the resolution or at the conclusion of the Annual General Meeting to be held in 2012. It is proposed that this disapplication will be proposed for renewal annually together with the power to issue new shares.

