

# European Selected Opportunities Fund



**A core European large-cap fund that utilises sector themes to identify undervalued investment opportunities.**

## Fund aim

The fund aims to achieve a long-term return, in excess of the long-term return that is typically achieved from European equity markets (excluding the UK).

## Investment philosophy

Our investment philosophy is based on the following beliefs:

- **Macroeconomic and sector trends travel globally.** Early insights into the behaviour of European companies can be gained from understanding global market and industry dynamics.
- **Stock prices are mean reverting.** Excess returns are competed away over time. Conversely, badly managed companies (as opposed to bad businesses) may be neglected by investors, but present compelling opportunities.
- **Investors in change.** Investment opportunities can be captured through correctly anticipating change and inflection points in companies and industries – either for the better or for the worse.
- **Capital investment drives value creation.** Cashflow return on capital is the ultimate master of value creation: it either creates or destroys value. Nevertheless, companies must be evaluated in the context of a range of fundamental metrics and qualitative factors.

## Contrarian approach exploits mispricing

The belief that stock prices and profitability are mean reverting means that careful attention is paid to relative valuations between stocks and sectors. The fund seeks to identify sectors of the market that are unjustly unloved and individual stocks where a positive earnings outlook has been overlooked or is not fully reflected in the share price. Research is therefore concentrated on identifying industry themes and catalysts for growth amongst blue chip stocks and under-researched mid-cap stocks.

## Key reasons to invest

- Many European companies with strong balance sheets and consistent earnings growth are trading on attractive valuations.
- John Bennett has a proven 24-year track record in managing European equities.
- Marriage of clear sector themes with compelling stock-specific stories provides access to strong growth potential in Europe and globally.
- Blue chip holdings are combined with mid-cap stocks with the aim of generating higher returns.



**John Bennett**  
Fund manager

“ The opportunities I am seeing now are better than anything I have seen in a long time. Things are likely to get worse for European equities in the short term but the opportunity is coming. ”

## Key facts

<b>Fund manager</b>	John Bennett
<b>Peer group</b>	IMA Europe excluding UK sector
<b>Launch date</b>	August 1984
<b>Fund size</b>	£1.2bn (at 28 September 2012)
<b>Typical no. of holdings</b>	60-70

## A flexible yet measured investment approach

The fund blends top-down sector decisions with bottom-up stock selection to construct the portfolio. Each team member contributes at the stock and sector level by studying industry dynamics (particularly the observed tendency for trends to travel around the globe), analysing company fundamentals and conducting company meetings.

The strategy emphasises decisive deviation from benchmark index weightings but with an investment horizon that gives ideas the scope to come to fruition. Whilst the team is prepared to react quickly and exploit opportunities, the preference is for taking positions in companies that offer identifiable strong long-term growth potential, avoiding the frenetic trading that can be expensive to overall returns. The portfolio is diversified across sectors and stocks to help to reduce risk. Please note, however, that the value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

## Distinctive approach to European equities

In summary, the fund differentiates itself from other European equity strategies in the following ways:

- Blend of sector/stock specific themes that looks beyond Europe's borders for clues about earnings and price drivers.
- Fundamental research is conducted on under-researched and unloved areas of the market to generate added value.
- Focus on investing in change is the mechanism through which the team invests early enough, aiming to maximise gains.

# European Selected Opportunities Fund

## Fund performance

Discrete year performance	Fund % change	Sector % change
30/09/2011 – 28/09/2012	17.2	14.6
30/09/2010 – 30/09/2011	-9.1	-11.0
30/09/2009 – 30/09/2010	-1.4	1.5
30/09/2008 – 30/09/2009	21.5	16.9
30/09/2007 – 30/09/2008	-18.8	-22.2

Source: Morningstar, at 28 September 2012, mid-mid, net income invested, net of fees, in GBP.

## Cumulative performance since inception (%)



Source: Morningstar, at 28 September 2012, mid-mid, net income invested, net of fees, in GBP.

Note: The fund was launched on 31 August 1984. John Bennett assumed management of the fund on 1 February 2012.

Please note that past performance is not a guide to future performance. Changes in the rates of exchange between currencies may cause your investment and the income from it to go up or down. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

## Meet the fund manager



John Bennett

John joined Henderson in April 2011 from Gartmore. He has a 24-year track record of managing Continental and Pan European equities. During his time at Gartmore, John assumed responsibility for managing their Continental and pan European equity retail funds. He joined Gartmore from GAM, where he spent 17 years.

## Glossary

**Bottom-up stock selection:** A method used to pick stocks whereby fund managers analyse companies to look for strong management, growth and outstanding performance and broader economic issues and market conditions are less important.

**Contrarian:** An investment style that goes against prevailing market trends e.g. buying assets that are performing poorly and then selling when they perform well.

**Large-cap:** Refers to the market capitalisation of a company and describes the group of largest companies in a region or stock market.

**Macroeconomic:** The wider economy of a country including examination of such things as unemployment, growth rates and inflation.

**Mean reverting:** A theory suggesting that prices and returns eventually move back towards the mean or average.

**Mid-cap:** Refers to the market capitalisation of a company. Mid-cap companies are not amongst the top tier by market capitalisation but are larger than the group of smallest companies.

**Top-down stock selection:** Analysis starting with global economics, including both international and national economic indicators, followed by regional/industry analysis and then selecting individual businesses in that area.

## Contact us

General enquiries: 0800 832 832

Email: [support@henderson.com](mailto:support@henderson.com)

Website: [www.henderson.com](http://www.henderson.com)

## Important Information

Please read all scheme documents before investing. Before entering into an investment agreement in respect of an investment referred to in this document, you should consult your own professional and/or investment adviser. Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. If you invest through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment. It does not form part of any contract for the sale or purchase of any investment. Any investment application will be made solely on the basis of the information contained in the Prospectus (including all relevant covering documents), which will contain investment restrictions. This document is intended as a summary only and potential investors must read the prospectus, and where relevant, the key investor information document before investing. Issued in the UK by Henderson Global Investors. 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 Services Authority to provide investment products and services. Telephone calls may be recorded and monitored. Ratings as at 28 September 2012.

HGI42742/1012