

A concentrated, high-conviction equity fund that seeks out alpha from among European stocks.

Fund aim

The fund aims to achieve long-term capital growth by investing in a portfolio of European (excluding the UK) company shares. The fund will be concentrated in terms of the number of companies it invests in.

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 often present compelling turnaround 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. Patience and long-term commitment to these investments help to capture gains from being on the right side of surprise.
- **Capital investment drives value creation.** Cashflow return on capital is the ultimate master of value creation; it either creates or destroys corporate value. Nevertheless, companies must be evaluated in the context of a range of fundamental metrics, such as valuations and qualitative factors, such as management capability.

A pure unconstrained best ideas fund

The fund has the freedom to invest across the European (excluding UK) stock universe. It is weighted by conviction rather than for concern to follow a benchmark. Since the fund is a best ideas fund, stock positions tend to be large, typically between 2-4% and never less than 1% to avoid diluting the portfolio. Whilst increasing potential reward when investment decisions succeed, the concentrated nature of this fund also means that individual stock positions carry greater risk.

High conviction backed by research

The concentrated nature of the fund means that deviation from the benchmark is inevitable. It is also desirable in as much as outperformance cannot be achieved by hugging the index. The fund tends to take long-term positions in companies, with careful fundamental and qualitative analysis undertaken ahead of any investment. Stocks may be held tactically but will ordinarily reflect the catalysts for change outlined in the investment philosophy. The focus on investing for change is the mechanism through which the team endeavours to move early enough to maximise gains.



John Bennett
Fund Manager

“The essence of the European Focus Fund is that it is unconstrained by benchmarks. Thus it is better positioned to capitalise upon the dichotomy represented by today’s Europe: a gloomy macroeconomic environment masking some outstanding investment opportunities among companies.”

Key facts

Fund manager	John Bennett
Peer group	IMA Europe excluding UK sector
Launch date	January 2001
Fund size	£72.0m (at 31 December 2012)

Distinctive approach to European equities

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

- high conviction approach;
- 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, with the aim of generating added value;
- large company bias to play out sector themes, but also seeks exposure to mid-sized companies as an additional source of alpha.

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.
- The fund is a pure expression of John Bennett’s view of markets and companies, leveraging his stock-picking expertise.

The value of an investment and the income from it may fall as well as rise and may also increase or decrease as a result of changes in exchange rates between currencies. Investors may not get back the amount originally invested.

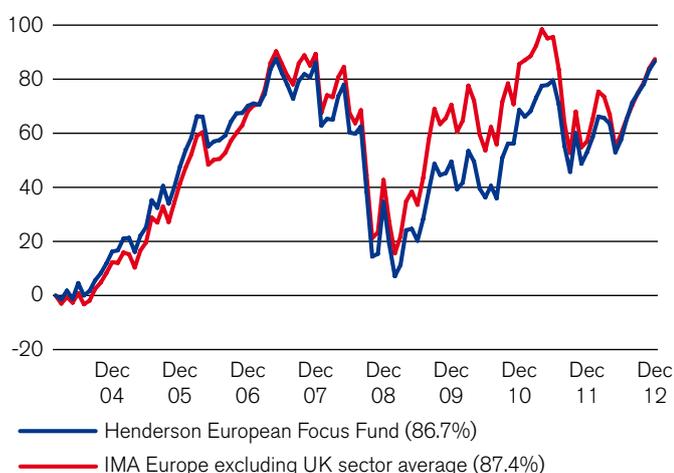
European Focus Fund

Fund performance

Discrete year performance	Fund % change	Sector % change
30/12/2011 – 31/12/2012	22.0	19.4
31/12/2010 – 30/12/2011	-9.3	-15.4
31/12/2009 – 31/12/2010	12.8	8.8
31/12/2008 – 31/12/2009	11.1	19.5
31/12/2007 – 31/12/2008	-27.7	-24.6

Source: Morningstar at 31 December 2012, based on mid-market prices with net income reinvested and net of fees, in GBP.

Cumulative performance since 27.02.2004* (%)



Source: Morningstar at 31 December 2012, based on mid market prices with net income invested, net of fees, in GBP.

*The Henderson European Focus Fund changed sector to the IMA Europe excluding UK on 27 February 2004.

Please note that past performance is not a guide to future performance.

Meet the fund manager



John Bennett

John joined Henderson in April 2011, as part of the Gartmore acquisition. 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

Alpha: A measure of a fund manager's outperformance against a benchmark.

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.

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