

**IMPORTANT: IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.**

Henderson Investment Funds Limited, the authorised corporate director of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by the Collective Investment Schemes Sourcebook to be included in it. Henderson Investment Funds Limited accepts responsibility accordingly.

**PROSPECTUS**

**OF**

**HENDERSON STRATEGIC INVESTMENT FUNDS**

**(An open ended investment company with variable capital incorporated with limited liability and registered in England and Wales under registered number IC312)**

This document constitutes the Prospectus for Henderson Strategic Investment Funds which has been prepared in accordance with The Collective Investment Schemes Sourcebook.

This Prospectus is dated, and is valid as at 20 November 2014.

Copies of this Prospectus have been sent to the FCA and the Depositary.

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*This document is important and you should read all the information contained in it. If you are in any doubt as to the meaning of any information contained in this document you should consult your Professional Adviser.*

No person has been authorised by the Company to give any information or to make any representations in connection with the offering of Shares other than those contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been made by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Company to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The Shares described in this Prospectus have not been and will not be registered under the Securities Act 1933 of the United States (as amended) ("the 1933 Act"), the United States Investment Company Act of 1940 or the securities laws of any of the states of the United States. The Shares may not be offered, sold or delivered directly or indirectly in the United States or to the account or benefit of any US Person (as defined below).

"U.S. Person" means any citizen or resident of the United States of America, its territories and possessions including the State and District of Columbia and all areas subject to its jurisdiction (including the Commonwealth of Puerto Rico), any corporation, trust, partnership or other entity created or organised in or under the laws of the United States of America, any state thereof or any estate or trust the income of which is subject to United States federal income tax, regardless of source. The expression also includes any person falling within the definition of the term "U.S. Person" under Regulation S promulgated under the United States Securities Act of 1933.

The UK has entered into intergovernmental information exchange agreements with the United States (FATCA) and other countries. Consequently, the Company may be required to collect and/or report information about the Shareholders or the ACD may elect to do so if it determines this is in the interests of Shareholders generally. This may include information to verify the identity of Shareholders or their tax status. The Company may pass this information to HM Revenue & Customs.

Shares in the Company are not listed on any investment exchange.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.

The provisions of the Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them).

This Prospectus has been approved for the purpose of section 21 of the Financial Services and Markets Act 2000 by Henderson Investment Funds Limited.

This Prospectus is based on information, law and practice at the date hereof. The Company cannot be bound by an out of date prospectus when it has issued a new prospectus and investors should check with the ACD that this is the most recently published prospectus.

1. **DEFINITIONS**

- “ACD”** Henderson Investment Funds Limited, the authorised corporate director of the Company;
- “Accounting Date”** 31 October in each year or such other date as the ACD may determine or, in the case of the final Accounting Period of a Fund, the date when that Fund is terminated;
- “Accounting Period”** a period ending on and including an Accounting Date and beginning on the date of the launch of the Company, or in the case of a subsequent launch of a Fund, the date of that launch or on the day following the preceding Accounting Date (as the case may require);
- “Approved Bank”** in relation to a bank account opened by the Company:
- (a) if the account is opened at a branch in the United Kingdom:
    - (i) the Bank of England; or
    - (ii) the central bank of a member state of the OECD; or
    - (iii) a bank; or
    - (iv) a building society which offers, unrestrictedly, banking services; or
    - (v) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or
  - (b) if the account is opened elsewhere:
    - (i) a bank in (a); or
    - (ii) a credit institution established in an EEA State other than the United Kingdom and duly authorised by the relevant Home State regulator; or
    - (iii) a bank which is regulated in the Isle of Man or the Channel Islands; or
  - (c) a bank supervised by the South African Reserve Bank;
- “Bond Fund”** in respect of the Company, Henderson Credit Alpha Fund, Henderson Institutional Emerging Market Debt Absolute Return Fund and the Henderson Interest Rate Alpha Fund and, in respect of any other Henderson Managed OEIC,

	those bond funds set out in Appendix V of this Prospectus;
<b>“business day”</b>	Monday to Friday except for a bank/public holiday in England and Wales;
<b>“Class” or “Classes”</b>	in relation to Shares, means (according to the context) all of the Shares related to a single Fund or a particular class or classes of Share related to a single Fund;
<b>“COLL”</b>	refers to the appropriate chapter or rule in the COLL Sourcebook;
<b>“COLL Sourcebook”</b>	the Collective Investment Schemes Sourcebook issued by the FCA, as amended or re-enacted from time to time;
<b>“Company”</b>	Henderson Strategic Investment Funds;
<b>“conversion”</b>	the conversion of Shares in one Class in a Fund to Shares of another Class in the same Fund and “convert” shall be construed accordingly;
<b>“Dealing cut off point”</b>	the dealing cut off point for each of the Funds as set out in Appendix I of this Prospectus;
<b>“Dealing Day”</b>	Monday to Friday for all Funds excluding Henderson US Equity Long/Short Fund which deals every Wednesday (except for (unless the ACD otherwise decides) the last working day before Christmas, a bank/public holiday in England and Wales and any other days declared by the ACD to be a company holiday) and other days at the ACD’s discretion;
<b>“Depositary”</b>	National Westminster Bank Plc;
<b>“Director” or “Directors”</b>	the directors of the Company from time to time (including the ACD);
<b>“EEA State”</b>	a member state of the European Union and any other state which is within the European Economic Area;
<b>“Eligible Derivatives markets”</b>	derivatives markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the scheme property in accordance with the relevant criteria set out in the COLL Sourcebook and with regard to the Guidance on Eligible Markets issued by the FCA as amended from time to time and as more fully described in Appendix II and section 2 of Appendix III;
<b>“Eligible Institution”</b>	one of certain eligible institutions as defined in

	the glossary to the FCA Handbook;
<b>“Eligible Securities Markets”</b>	securities markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purposes of investment of or dealing in the scheme property in accordance with the relevant criteria set out in the COLL Sourcebook and with regard to the Guidance on Eligible Markets issued by the FCA as amended from time to time and as more fully described in Appendix II and section 2 of Appendix III;
<b>“Eligible Shareholders”</b>	As defined in Section 2.3;
<b>“Equity Funds”</b>	in respect of the Company, any of the Henderson Institutional Asia Pacific ex Japan Enhanced Equity Fund, Henderson Institutional European Enhanced Equity Fund, Henderson Institutional Japan Enhanced Equity Fund and Henderson Institutional North American Enhanced Equity Fund and, in respect of any other Henderson Managed OEIC, those equity funds set out in Appendix V of this Prospectus;
<b>“EU Savings Directive”</b>	the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments;
<b>“FATCA”</b>	the United States regime commonly known as the ‘Foreign Account Tax Compliance Act’ (or ‘FATCA’);
<b>“fraction”</b>	a smaller denomination Share (on the basis that one hundred smaller denomination Shares make one larger denomination Share);
<b>“FCA”</b>	the Financial Conduct Authority;
<b>“FCA Handbook”</b>	the FCA Handbook of Rules and Guidance as amended from time to time;
<b>“Fund” or “Funds”</b>	a sub fund of the Company (being part of the property of the Company which is pooled separately) to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub fund, or where appropriate a sub fund of any other Henderson Managed OEIC;
<b>“Gross Asset Value”</b>	the value of the property of the Company or of any Fund (as the context may require) before all expenses and fees;
<b>“Henderson Managed OEIC”</b>	any investment company with variable capital incorporated in England and Wales and managed by the ACD, further details of which are set out



	in Appendix V of this Prospectus (as amended from time to time);
<b>"Index"</b>	the benchmark index referred to in the investment objective and policy of each of the Funds as set out in Appendix I (or such other index as may from time to time replace it);
<b>"Instrument of Incorporation"</b>	the instrument of incorporation of the Company, as amended from time to time;
<b>"Investment Manager"</b>	Henderson Global Investors Limited, the investment manager to the ACD in respect of the Company;
<b>"Net Asset Value" or "NAV"</b>	the value of the property of the Company or of any Fund (as the context may require) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Instrument of Incorporation;
<b>"OEIC Regulations"</b>	the Open-Ended Investment Companies Regulations 2001, as amended or re-enacted from time to time;
<b>"property"</b>	the property of the Company required under the COLL Sourcebook to be given for safekeeping to the Depositary;
<b>"Regulations"</b>	the OEIC Regulations and the FCA Handbook (including the COLL Sourcebook);
<b>"SDRT"</b>	Stamp Duty Reserve Tax;
<b>"Share" or "Shares"</b>	a share or shares in the Company (including larger denomination Shares and fractions), or where appropriate a share or shares in any other Henderson OEIC;
<b>"Shareholder"</b>	a holder of registered Shares in the Company or, where appropriate, a holder of registered Shares in any other Henderson OEIC;
<b>"switch"</b>	the exchange where permissible of Shares of one Fund for Shares of another Fund;
<b>"UCITS"</b>	Undertakings for Collective Investment in Transferable Securities;
<b>"United States" or "U.S."</b>	the United States of America
<b>"U.S Person"</b>	any US resident or other person specified in rule 902 of Regulations under the US Securities Act of 1933, as amended or excluded from the definition of a "Non-United States Person" as used in rule 4.7 of the Commodity Futures Trading Commission.

**“Valuation Point”**

the valuation point for each of the Funds as set out in Appendix I of this Prospectus;

**“VAT”**

Value Added Tax.

## 2. DETAILS OF THE COMPANY

### 2.1 General

Henderson Strategic Investment Funds is an investment company with variable capital incorporated in England and Wales under registered number IC000312 and authorised by the Financial Conduct Authority with effect from 1 April 2004. The Company has been certified by the FCA as complying with the conditions necessary for it to enjoy the rights conferred by the EC Directive on Undertakings for Collective Investment in Transferable Securities. The Company has an unlimited duration.

Shareholders are not liable for the debts of the Company.

The ACD is also the authorised corporate director of other investment companies with variable capital and the manager of various authorised unit trusts. Further details are set out in Appendix V.

#### **Head office:**

201 Bishopsgate, London EC2M 3AE.

#### **Address for service:**

The Head Office is the address of the place in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.

#### **Base currency:**

The base currency of the Company and the Currency of Denomination of each Fund, except Henderson US Equity Long/Short Fund, is Pounds Sterling.

The Currency of Denomination for Henderson US Equity Long/Short Fund is US Dollars.

<b>Share capital:</b>	Maximum	£100,000,000,000
	Minimum	£5,000,000

Shares have no par value. The share capital of the Company at all times equals the sum of the Net Asset Values of each of the Funds.

### 2.2 The structure of the Company

#### **The Funds:**

The Company is a UCITS scheme structured as an umbrella company, in that different Funds may be established from time to time by the ACD with the approval of the FCA. On the introduction of any new Fund or Class, a revised prospectus will be prepared setting out the relevant details of each Fund or Class.

The assets of each Fund will be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and investment policy applicable to that Fund. The Funds are as follows:

- Henderson Institutional Asia Pacific ex Japan Enhanced Equity Fund
- Henderson Credit Alpha Fund

- Henderson Institutional Emerging Market Debt Absolute Return Fund
- Henderson Institutional European Enhanced Equity Fund
- Henderson Interest Rate Alpha Fund (Not yet launched)
- Henderson Institutional Japan Enhanced Equity Fund
- Henderson Institutional North American Enhanced Equity Fund
- Henderson US Equity Long/Short Fund.

Details of the Funds, and any other Fund that may be created from time to time, including their investment objectives and policies, are set out in Appendix I. Each of the Funds is marketable to all retail investors.

Each Fund has a specific portfolio to which that Fund's assets and liabilities are attributable. So far as the Shareholders are concerned each Fund is treated as a separate entity.

The Funds are segregated portfolios of assets and, accordingly, the assets of a Fund belong exclusively to that Fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other Fund and shall not be available for any such purpose.

Subject to the above, each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund and within the Funds charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which it believes is fair to the Shareholders generally. This will normally be pro rata to the Net Asset Value of the relevant Funds.

## 2.3 Shares

### **Classes of Share within the Funds**

Several Classes of Share may be issued in respect of each Fund. Each Fund currently has a number of Classes available, distinguished by their criteria for subscription and fee structure. The ACD may accept deals at a level lower than the stated minima at its discretion. Further details are set out in Appendix I.

Shares in both Class Y and Class Z are available to members of Henderson Group plc group companies, funds managed by Henderson Group plc group companies and to other investors at the discretion of the ACD.

Shares in Class S are available to investors at the discretion of the ACD.

Shares in Class G are only available to Eligible Shareholders. Eligible Shareholders are those who are eligible at the ACD's discretion to invest in Class G Shares upon entering into an agreement with the ACD and fulfilling the eligibility conditions set by the ACD from time to time. Eligibility conditions currently include minimum holdings at a Share Class level and also minimum assets under management held by the investor across the range of UK domiciled funds operated by Henderson Investment Funds Limited.

All other Classes of Shares are available to all investors.

Certain Share Classes may also charge a performance fee outside the Fund as set out in section 7.3. Similarly, the ACD can agree with individual investors, to charge for managing investments outside the Fund. Please see section 7.3 for which Class of Shares this applies to.

The minimum subscription and holding levels for each Share Class are set out in Appendix I.

Euro hedged class Shares and US dollar hedged class Shares are hedged share classes. Hedged share classes allow the ACD to use currency hedging transactions to reduce the effect of fluctuations in the rate of exchange between the currency of Shares in those classes (the "Reference Currency") and the currency of denomination for the relevant Fund (the "Currency of Denomination").

The ACD may utilise currency forwards, currency futures, currency option transactions, currency swaps, currency hedging with interest rate or equity swap transactions (or such other instruments as are permitted under Appendix III (Investment Powers and Limits)) to preserve the Reference Currency against the Currency of Denomination, and the currency in which the relevant Fund's underlying assets are denominated.

The costs and benefits of such currency hedging transactions will accrue solely to the investors in the Euro hedged class Shares and the US dollar hedged class Shares with reference to the value of the respective shareholdings in those classes. This includes the costs of hedging and the allocation of any gains and losses resulting from the hedging transactions. The currency transactions will not cause the Euro hedged class Shares and the US dollar hedged class Shares to be leveraged. The value of each Share Class to be hedged will be made up of both capital and income and the ACD intends to hedge between 95-105% of the value of each hedged Share Class. Adjustments to any hedge to keep within this target range will only be made when the required adjustment is material. As such the Euro hedged class Shares and the US dollar hedged class Shares will not be completely protected from all currency fluctuations.

In addition, each Class may make available both net income Shares and net accumulation Shares. The types of Share presently available for each Fund are set out in the details of the relevant Funds in Appendix I.

Holders of income Shares are entitled to be paid the income attributed to such Shares on the relevant interim and annual allocation dates. Holders of accumulation Shares are not entitled to be paid the income attributed to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant Fund on the relevant interim and/or annual accounting dates. This is reflected in the price of an accumulation Share.

The Instrument of Incorporation allows gross income and gross accumulation Shares to be issued as well as net income and net accumulation Shares. Net Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders (in the case of income Shares) or credited periodically to capital (in the case of accumulation Shares), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Company. Gross Shares are income or accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Company. Gross Shares are available in the Bond Funds as set out at Appendix I.

Gross Shares are available only to investors who qualify for the gross payment of interest distributions or accumulations. These include companies, trustees of

authorised unit trusts, open-ended investment companies, certain pension funds, charities and persons who are not ordinarily resident in the United Kingdom. For a complete list, please refer to Part 4 of the Authorised Investment Funds (Tax) Regulations 2006 and Chapter 11, Part 15 of the Income Tax Act 2007.

Where a Fund has different Classes, each Class may attract different charges and so monies may be deducted from Classes in unequal proportions. In these circumstances the proportionate interests of the Classes within a Fund will be adjusted accordingly.

Shareholders are entitled (subject to certain restrictions) to convert all or part of their Shares in a Class in a Fund for Shares in another Class within the same Fund or to switch Shares in one Fund for Shares of the same or another Class within a different Fund of the Company or another Henderson OEIC. Details of this conversion and switching facility and the restrictions are set out in the "Conversion and Switching" section of this Prospectus or by contacting the ACD.

### 3. **BUYING, REDEEMING AND SWITCHING SHARES**

The dealing office of the ACD is open from 9.00 am until 5.30 pm on each Dealing Day to receive requests by post, fax, telephone (at the ACD's discretion, by telephoning 0845 608 8703) or via electronic dealing platforms (such as EMX) for the purchase, redemption and switching of Shares. In addition, the ACD may from time to time make arrangements to allow Shares to be dealt with through other communication media. All initial subscriptions must be accompanied by an application form which may be obtained from the ACD. The cut off times for receiving applications to deal in each Fund are set out in Appendix I.

At present transfer of title by electronic communication is accepted at the ACD's absolute discretion and the ACD may refuse electronic transfers.

The ACD will accept instructions to transfer or renunciation of title to Shares on the basis of an authority communicated by electronic means and sent by the Shareholder, or delivered on their behalf by a person that is authorised by the FCA, subject to:

(a) prior agreement between the ACD and the person making the communication as to:

(i) the electronic media by which such communication may be delivered; and

(ii) how such communications will be identified as conveying the necessary authority;

(b) assurance from any person who may give such authority on behalf of the investor that they will have obtained the required appointment in writing from the Shareholder; and

(c) the ACD being satisfied that that any electronic communications purporting to be made by a Shareholder or his agent are in fact made that person.

#### 3.1 **Buying Shares**

##### **Procedure:**

Shares may be bought directly from the ACD or through your professional adviser or other intermediary. Any intermediary who recommends an investment in the Company to you may be entitled to receive commission from the ACD.

Investors wishing to purchase gross Shares in the Bond Funds must complete a Declaration of Eligibility and Undertaking which may be obtained from the ACD.

The ACD has the right to reject on reasonable grounds any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of Shares has been issued will not be returned to the applicant. Instead, smaller denomination Shares will be issued. A smaller denomination Share is equivalent to one one-hundredth of a larger denomination Share.

An order for the purchase of Shares will only be deemed to have been accepted by the ACD once it is in receipt of cleared funds for the application. Settlement is due by close of business on the fourth business day following the issue of Shares. If settlement is not made within that time, then the ACD has the right to cancel any Shares issued in respect of the application.

An applicant has the right to cancel his application to buy Shares at any time during the 14 days after the date on which he receives a cancellation notice from the ACD. If an applicant decides to cancel the contract, and the value of the investment has fallen at the time the ACD receives the completed cancellation notice, he will not receive a full refund as an amount equal to any fall in value will be deducted from the sum originally invested. As from 6<sup>th</sup> April 2010 only applicants who have received advice have the right to cancel their application to buy Shares as described above.

**Documents the buyer will receive:**

A contract note giving details of the number and price of Shares bought will be issued by no later than the end of the business day following execution of that order, together with, where appropriate, a notice of the applicant's right to cancel.

Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Company's Register of Shareholders. Statements in respect of periodic distributions on Shares will show the number of Shares held by the recipient. Individual statements of a Shareholder's Shares will be issued automatically as at 5 April and 5 October of each year but as from June 2010, the individual statements will be issued as at 30 June and 31 December of each year. Statements may also be issued at any time on request by the registered Shareholder.

The Company has the power to issue bearer Shares but there are no present plans to do so.

**Minimum subscriptions and holdings:**

The minimum initial subscriptions, subsequent subscriptions and holdings for each Class of Share in a Fund are set out in Appendix I. The ACD may at its discretion in what it considers to be special circumstances accept subscriptions and/or holdings lower than the minimum amount(s).

If following a redemption a holding in any Class of Share should fall below the minimum holding for that Class, the ACD has the discretion to require redemption of that Shareholder's entire holding in that Class of Share.

**3.2 Redeeming Shares**

**Procedure:**

Every Shareholder has the right to require that the Company redeem his Shares on any Dealing Day unless the value of Shares which a Shareholder wishes to redeem will mean that the Shareholder will hold Shares with a value less than the required minimum holding in the relevant Class, in which case the Shareholder may be required to redeem his entire holding in that Class of Share in the relevant Fund.



### **Documents a redeeming Shareholder will receive:**

A contract note giving details of the number and price of Shares redeemed will be sent to the redeeming Shareholder (or the first named Shareholder, in the case of joint Shareholders) together with (if sufficient written instructions have not already been given) a form of renunciation for completion and execution by the Shareholder (or, in the case of a joint holding, by all the joint Shareholders) no later than the end of the business day following execution of the order. Payment in satisfaction of the redemption monies will be issued within four business days of the later of (a) receipt by the ACD of the form of renunciation (or other sufficient written instructions) duly signed and completed by all the relevant Shareholders, together with any other appropriate evidence of title, and (b) the Valuation Point following receipt by the ACD of the request to redeem.

### **Minimum redemption:**

Part of a Shareholder's holding may be redeemed but the ACD reserves the right to refuse a redemption request if the value of the Shares of any Fund to be redeemed is less than the minimum holding amounts stated in Appendix I.

### **3.3 Conversion and Switching**

Subject to any restrictions on the eligibility of investors for a particular Share Class, a Shareholder in a Fund may at any time:

- (i) Request a conversion of Convert all or some of his Shares of one Class in a Fund for another Class of Shares in the same Fund; or
- (ii) Request a Switch of all or some of his Shares in one Fund for Shares in another Fund in the Company.

#### ***Conversions***

Conversions will be effected by the ACD recording the change of Share Class on the Register of the Company.

If a Shareholder wishes to convert Shares he should apply to the ACD in the same manner as for a sale as set out below.

The ACD will carry out instructions to convert Shares as soon as possible but this may not be at the next Valuation Point and instructions may be held over and processed with conversion instructions given by other Shareholders and in some cases may not be effected until the end of the relevant accounting period. Shareholders should contact the ACD for further information on when a conversion may be effected.

Conversions will not be treated as a disposal for capital gains tax purposes and no stamp duty reserve tax will be payable on the conversion.

There is no fee on conversions.

The number of Shares to be issued in the new Class will be calculated relative to the price of the Shares being converted from.

## **Switches**

Subject to the qualifications below, a Shareholder may at any time switch all or some of his Shares of one Class in a Fund (Original Shares) for Shares of another Fund (New Shares).

The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are redeemed and the New Shares are issued. Investors wishing to switch into a gross Class of the Bond Funds must first complete a Declaration of Eligibility and Undertaking available from the ACD.

Switching instructions will be irrevocable and the Shareholder concerned will have no right to cancel the transaction. Contract notes giving details of the switch will be sent on or before the business day next following the valuation point by reference to which the price of the Share switch was calculated.

Neither the ACD nor the Depositary are obliged to give effect to a request to switch or convert Shares if the value of the Shares to be switched or converted is less than the minimum permitted transaction or if it would result in the Shareholder holding Shares of any class of less than the minimum holding required for that class of Shares. In addition, the ACD may decline to permit a switch into Shares linked to a Fund in respect of which there are no Shares in issue, or in any case in which the ACD would be entitled by COLL to refuse to give effect to a request by the Shareholder for the redemption of Shares of the old class or the issue of Shares of the new class. There may be a charge on switching which will not exceed the amount of the then prevailing initial charge of the New Shares.

**Please note that a switch of Shares in one Fund for Shares in any other Fund is treated as a redemption of the Original Shares and a purchase of New Shares and will, for persons subject to United Kingdom taxation, be a realisation for the purposes of capital gains tax.**

**A Shareholder who switches Shares in one Fund for Shares in any other Fund (or who switches between Classes of Shares) will not be given a right by law to withdraw from or cancel the transaction.**

**For details on switching into any other Henderson collective investment scheme, please contact the ACD.**

### **3.4 Dealing charges**

The price per Share at which Shares are bought or redeemed is the Net Asset Value per Share. Any initial charge or redemption charge is payable in addition to the price.

#### **Initial charge:**

The ACD may impose a charge on the purchase of Shares in each Class. The current initial charges as a percentage of the amount invested by a potential Shareholder are set out in Appendix I.

The initial charge is payable by the Shareholder to the ACD.

Any increase of the initial charge may be made by the ACD in accordance with the COLL Sourcebook.

**Redemption charge:**

The ACD may make a charge on the redemption of Shares in each Class. Details of any redemption charges currently made are set out in Appendix I. Shares of any Class issued while this Prospectus is in force will not be subject to any redemption charge in the future where one is not currently made.

The ACD may only introduce a new redemption charge in accordance with the Regulations.

In relation to the imposition of a redemption charge as set out above, where Shares of the Class in question in the relevant Fund have been purchased at different times by a redeeming Shareholder, the Shares to be redeemed shall be deemed to be the Shares purchased first in time by that Shareholder.

In the event of a change to the rate or method of calculation of a redemption charge, details of the previous rate or method of calculation will be available from the ACD.

**3.5 Switching and Conversion Charges**

On the switching of Shares between Funds, the Instrument of Incorporation authorises the ACD to impose a charge on switching. The charge is the application of the then prevailing initial charge for the New Shares. If a redemption charge is payable in respect of the Original Shares, this may become payable instead of, or as well as, the then prevailing initial charge for the New Shares. The charge on switching is payable by the Shareholder to the ACD. An SDRT provision may also be levied on the redemption of the Original Shares. The ACD may in its discretion charge a lower switching charge to that stated above.

There are currently no charges on switching between Funds or conversions of Classes in the Company.

For details of charges in relation to switching into any other Henderson collective investment scheme, please contact the ACD.

Switching between net and gross shares is subject to the restrictions within the "Switching" section of this Prospectus.

**3.6 Other dealing information****Dilution:**

The actual cost of purchasing or selling investments for a Fund may deviate from the mid-market value used in calculating the price of Shares linked to that Fund. Where the Company buys or sells underlying investments in response to a request for the issue or redemption of shares linked to a Fund, it will generally incur a cost, made up of dealing costs (which may include taxes) and any spread between the buying and selling prices of the investments concerned (called "dilution"), which is not reflected in the purchase or redemption price paid by or to the Shareholder. With a view to countering this cost (which, if it is material, disadvantages existing or remaining Shareholders), the ACD has discretion to make a dilution adjustment in the calculation of the dealing price and thereby swing the dealing price of shares linked to the relevant Fund.

The need to make a dilution adjustment will depend on the volume of purchases or redemptions of Shares as described below linked to a Fund. The ACD may make a discretionary dilution adjustment if in its opinion the existing Shareholders (for

purchases) or continuing Shareholders (for redemptions) might otherwise materially be adversely affected. In particular, the ACD reserves the right to make a dilution adjustment in the following circumstances:

1. on a Fund experiencing large levels of net purchases (i.e. purchases less redemptions) relative to its size;
2. on a Fund experiencing large levels of net redemptions (i.e. redemptions less purchases) relative to its size;
3. in any other case where the ACD is of the opinion that the interests of existing/continuing Shareholders and potential Shareholders require the imposition of a dilution adjustment.

This policy to swing the dealing price will be subject to regular review and may change. The ACD's decision as to whether or not to make a dilution adjustment, and as to what level of adjustment might be made in particular circumstances or generally, will not prevent it from making a different decision in similar circumstances in the future.

Where a dilution adjustment is applied, it will increase the dealing price when there are net inflows into the relevant Fund and decrease the dealing price when there are net outflows. The dealing price of each class of Share linked to a Fund will be calculated separately but any dilution adjustment will in percentage terms affect the dealing price of each class of Share linked to a Fund identically.

As dilution is directly related to the inflows and outflows of monies from the relevant Fund, it is not possible to predict accurately whether dilution will occur at any future point in time. Consequently it is also not possible to predict accurately how frequently the ACD will need to make such a dilution adjustment.

On the occasions when no dilution adjustment is made there may be an adverse impact on the total assets of the relevant Fund.

The dilution adjustment can vary over time and vary depending on the assets held by the relevant Fund. In deciding whether to make a dilution adjustment the ACD must use the following bases of valuations:

- (a) when by reference to any Valuation Point the aggregate value of the Shares of all Classes of a Fund issued exceeds the aggregate value of Shares of all Classes cancelled:
  - (i) any adjustment must be upwards; and
  - (ii) the dilution adjustment must not exceed the ACD's reasonable estimate of the difference between what the price would have been had the dilution adjustment not been taken into account and what the price would have been if the property had been valued on the best available market offer basis plus dealing costs; or
- (b) When by reference to any Valuation Point the aggregate value of the Shares of all Classes of a Fund cancelled exceeds the aggregate value of Shares of all Classes issued:
  - (i) any adjustment must be downwards; and
  - (ii) the dilution adjustment must not exceed the ACD's reasonable estimate of the difference between what the price would have been had the dilution

adjustment not been taken into account and what the price would have been if the property had been valued on the best available market basis less dealing costs.

In the period 1 January to 31 December 2013, a dilution adjustment was applied on the following occasions:

Henderson Institutional Asia Pacific Enhanced Equity Fund	249
Henderson Credit Alpha	8
Henderson Institutional Emerging Market Debt Absolute Return Fund	6
Henderson Institutional European Enhanced Equity Fund	251
Henderson Institutional Japan Enhanced Equity Fund	253
Henderson Institutional North American Enhanced Equity	253
Henderson US Equity Long/Short Fund	0

### 3.7 Market timing

The ACD may refuse to accept a new subscription, or a switch from another Fund if it has reasonable grounds, for refusing to accept a subscription or a switch. In particular, the ACD may exercise this discretion if it believes the Shareholder has been or intends to engage in market timing activities.

For these purposes, market timing activities include investment techniques which involve short term trading in and out of Shares generally to take advantage of variation in the price of Shares between the Valuation Point of the Company. Short term trading of this nature may often be detrimental to long term Shareholders, in particular the frequency of dealing may lead to additional dealing costs which can affect long term performance.

### 3.8 Money laundering

As a result of legislation in force in the United Kingdom to prevent money laundering, the ACD is responsible for compliance with anti money laundering regulations. In order to implement these procedures, in certain circumstances investors may be asked to provide proof of identity when buying or redeeming Shares. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to issue Shares, pay the proceeds of a redemption of Shares, or pay income on Shares to the investor.

### 3.9 Transfers

Shareholders are entitled to transfer their Shares to another person or body. All transfers must be in writing in the form of an instrument of transfer approved by the ACD for this purpose. Completed instruments of transfer must be returned to the ACD in order for the transfer to be registered by the ACD. The ACD may refuse to register a transfer unless an amount equivalent to the applicable SDRT has been paid. Please note that gross Shares in the Bond Funds are available only to certain categories of investor and prospective investors in them must complete a Declaration of Eligibility and Undertaking (obtainable from the ACD) and return it to the ACD before the gross Shares can be transferred.

At present, transfer of title by electronic communication is accepted at the ACD's discretion.

### 3.10 **Restrictions and compulsory transfer and redemption**

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in the Company incurring any liability to taxation which the Company is not able to recoup itself or suffering any other adverse consequence. In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, redemption, transfer, conversion or switching of Shares.

If it comes to the notice of the ACD that any Shares (“affected Shares”):

- (i) are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (ii) would result in the Company incurring any liability to taxation which the Company would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- (iii) are held in any manner by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case;

the ACD may give notice to the Shareholder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such Shares in accordance with the COLL Sourcebook. If any Shareholder upon whom such a notice is served does not within thirty days after the date of such notice transfer his affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he shall be deemed upon the expiry of that thirty day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares.

A Shareholder who becomes aware that he is holding or owns affected Shares shall immediately, unless he has already received a notice as set out above, either transfer all his affected Shares to a person qualified to own them or submit a request in writing to the ACD for the redemption of all his affected Shares.

Where a request in writing is given or deemed to be given for the redemption of affected Shares, such redemption will (if effected) be effected in the same manner as provided for in the COLL Sourcebook.

### 3.11 **Issue of Shares in exchange for in specie assets**

The ACD may arrange for the Company to issue Shares in exchange for assets other than cash, but will only do so where the Depositary has taken reasonable care to determine that the Company’s acquisition of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders.

The ACD will ensure that the beneficial interest in the assets is transferred to the Company with effect from the issue of the Shares.

The ACD will not issue Shares in any Fund in exchange for assets the holding of which would be inconsistent with the investment objective of that Fund.

### **3.12 In specie redemptions**

If a Shareholder requests the redemption of Shares the ACD may at its discretion, where it considers the deal to be substantial in relation to the total size of the Fund concerned or in some way advantageous or detrimental to the Fund, arrange, having given prior notice in writing to the Shareholder, that in place of payment for the Shares in cash, the Company transfers property or, if required by the Shareholder, the net proceeds of sale of the relevant property, to the Shareholder. Before the redemption proceeds of the Shares become payable, the ACD must give written notice to the Shareholder that the relevant property or the proceeds of sale of the relevant property will be transferred to that Shareholder so that the Shareholder can acquire the net proceeds of redemption rather than the relevant property if he so desires.

The ACD will select the property to be transferred in consultation with the Depositary but will only do so where the Depositary has taken reasonable care to ensure the property concerned is not likely to result in any material prejudice to the interests of Shareholders.

### **3.13 Suspension of dealings in the Company**

The ACD may, with the prior agreement of the Depositary, and must without delay if the Depositary so requires temporarily suspend the issue, cancellation, sale and redemption of Shares in any or all of the Funds where due to exceptional circumstances it is in the interests of all the Shareholders in the relevant Fund or Funds.

The ACD and the Depositary must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of Shareholders.

The ACD or the Depositary (as appropriate) will immediately inform the FCA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it to the FCA and the regulator in each EEA state where the relevant Fund is offered for sale.

The ACD will notify Shareholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving Shareholders details of how to find further information about the suspension.

Where such suspension takes place, the ACD will publish on its website or by other general means, sufficient details to keep Shareholders appropriately informed about the suspension, including, if known, its possible duration.

During the suspension none of the obligations in COLL 6.2 (Dealing) will apply but the ACD will comply with as much of COLL 6.3 (Valuation and Pricing) during the period of suspension as is practicable in light of the suspension.

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to Shareholders.

The ACD may agree during the suspension to deal in Shares in which case all deals accepted during and outstanding prior to the suspension will be undertaken at a price calculated at the first Valuation Point after the restart of dealings in Shares.

### 3.14 **Deferred Redemptions**

In times of high redemption, to protect the interests of continuing Shareholders the ACD may defer all redemptions at any Valuation Point to the next Valuation Point where requested redemptions exceed 10 per cent of a relevant Fund's value. This will allow the ACD to match the sale of the scheme property to the level of redemptions, thereby reducing the impact of dilution on the relevant Fund. At the next such Valuation Point all deals relating to the earlier Valuation Point will be completed before those relating to a later Valuation Point are considered.

### 3.15 **Governing law**

All deals in Shares are governed by English law.

### 3.16 **Moving to the United States**

Please note that if you are an existing investor holding Shares in the Company, and you move address to the United States, the Company will be required to treat you as a U.S. Person as defined in the Glossary.

As the Company has not been registered under the U.S. Investment Company Act of 1940, and the Shares have not been registered under the U.S. Securities Act of 1933, the Company will not be able to accept any subscriptions which you make (including transfers in and Fund switches), in order to comply with U.S. regulation. Any subscriptions made monthly via a direct debit, will also be terminated. However, existing Shareholders will, of course, still be able to continue to redeem their shareholdings at any time.



#### 4. VALUATION OF THE COMPANY

There is only a single price for Shares. The price of a Share is calculated by reference to the Net Asset Value of the Fund to which it relates. The Net Asset Value per Share of a Fund is currently calculated at the times set out in Appendix I on each Dealing Day.

The ACD may at any time during a business day carry out an additional valuation if it considers it desirable to do so. The ACD shall inform the Depositary of any decision to carry out any such additional valuation.

The ACD will, upon completion of each valuation, notify the Depositary of the price of Shares, of each Class of each Fund including the amount of any dilution adjustment made in relation to any Fund.

Where permitted and subject to the Regulations, the ACD may in certain circumstances (for example where a significant event has occurred since the closure of a market) substitute a price with a more appropriate price which in its opinion reflects a fair and reasonable price for that investment.

Each Fund is valued on a forward pricing basis.

##### 4.1 Calculation of the Net Asset Value

The value of the property of the Company or of a Fund (as the case may be) shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions:

4.1.1 All the property (including receivables) is to be included, subject to the following provisions:

4.1.2 Property which is not cash (or other assets dealt with in paragraph 4.1.3 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:

4.1.2.1 units or shares in a collective investment scheme:

- (a) if a single price for buying and redeeming units or shares is quoted, at that price; or
- (b) if separate buying and redemption prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the redemption price has been increased by any exit or redemption charge attributable thereto; or
- (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a value which, in the opinion of the ACD, is fair and reasonable;

4.1.2.2 exchange-traded derivative contracts:

- (a) if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
- (b) if separate buying and selling prices are quoted, at the average of the two prices;

- 4.1.2.3 over-the-counter derivative contracts shall be valued in accordance with the method of valuation as shall have been agreed between the ACD and the Depositary;
- 4.1.2.4 any other investment:
  - (a) if a single price for buying and redeeming the security is quoted, at that price; or
  - (b) if separate buying and redemption prices are quoted, at the average of the two prices; or
  - (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a value which in the opinion of the ACD, is fair and reasonable;
- 4.1.2.5 property other than that described in 4.1.2.1 - 4.1.2.4 above at a value which, in the opinion of the ACD, represents a fair and reasonable mid market price.
- 4.1.3 Cash and amounts held in current, deposit and margin accounts and in other time related deposits shall be valued at their nominal values.
- 4.1.4 In determining the value of the property, all instructions given to issue or cancel shares shall be assumed (unless the contrary is shown) to have been carried out and any cash payment made or received and all consequential action required by the Regulations or the Instrument of Incorporation shall be assumed (unless the contrary has been shown) to have been taken.
- 4.1.5 Subject to paragraphs 4.1.6 and 4.1.7 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and if, in the opinion of the ACD, their omission will not materially affect the final net asset amount.
- 4.1.6 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 4.1.5.
- 4.1.7 All agreements are to be included under paragraph 4.1.5 which are, or ought reasonably to have been, known to the person valuing the property.
- 4.1.8 Deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Scheme on realised capital gains in respect of previously completed and current accounting periods and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, VAT, stamp duty, SDRT and any foreign taxes or duties.
- 4.1.9 Deduct an estimated amount for any liabilities payable out of the property and any tax thereon treating periodic items as accruing from day to day.

- 4.1.10 Deduct the principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings.
- 4.1.11 Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
- 4.1.12 Add any other credits or amounts due to be paid into the property.
- 4.1.13 Currencies or values in currencies other than Sterling shall be converted at the relevant Valuation Point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.
- 4.1.14 Add a sum representing any interest or any income accrued due or deemed to have accrued but not received.

#### **4.2 Price per Share in each Fund and each Class**

The price per Share at which Shares are bought or are redeemed is the Net Asset Value per Share subject to any applicable dilution adjustment. Any initial charge or redemption charge is payable in addition to the price.

#### **4.3 Pricing basis**

The ACD deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after the purchase or redemption is deemed to be accepted by the ACD.

#### **4.4 Publication of prices**

The most recent price of Shares will be published daily at 9.00 am on the Henderson website at [www.henderson.com](http://www.henderson.com) on the business day following each valuation point or are available by calling the ACD on 0800 832 832.

In respect of the Henderson Institutional Asia Pacific ex Japan Enhanced Equity Fund, the Henderson Institutional European Enhanced Equity Fund, the Henderson Institutional Japan Enhanced Equity Fund and Henderson Institutional North American Enhanced Equity Fund, prices are published to four decimal places.

#### **4.5 Calculation of dilution adjustment**

In deciding whether to make a dilution adjustment the ACD must use the following bases of valuations:

- 4.5.1 when by reference to any Valuation Point the aggregate value of the Shares of all Classes of a Fund issued exceeds the aggregate value of Shares of all Classes cancelled:
  - 4.5.1.1 any adjustment must be upwards; and
  - 4.5.1.2 the dilution adjustment must not exceed the ACD's reasonable estimate of the difference between what the price would have been had the dilution adjustment not been taken into account and what the price would have been if the property had been valued on the best available market offer basis plus dealing costs; or

- 4.5.2 When by reference to any Valuation Point the aggregate value of the Shares of all Classes of a Fund cancelled exceeds the aggregate value of Shares of all Classes issued:
  - 4.5.2.1 any adjustment must be downwards; and
  - 4.5.2.2 the dilution adjustment must not exceed the ACD's reasonable estimate of the difference between what the price would have been had the dilution adjustment not been taken into account and what the price would have been if the property had been valued on the best available market basis less dealing costs.

## 5. **RISK FACTORS**

Potential investors should consider the following risk factors before investing in the Company (or, in the case of specific risks applying to specific Funds, in those Funds).

### 5.1 **General**

The investments of the Company are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest in the Company. There is no certainty that the investment objective of any Fund will actually be achieved and no warranty or representation is given to this effect.

Past performance is not a guide to future returns.

### 5.2 **Effect of initial charge or redemption charge**

Where an initial charge or redemption charge is imposed, an investor who realises his Shares after a short period may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested. In particular, where a redemption charge is payable, investors should note that the percentage rate at which the redemption charge is calculated is based on the market value rather than the initial value of the Shares. If the market value of the Shares has increased the redemption charge will show a corresponding increase.

The Shares therefore should be viewed as medium to long term investments.

### 5.3 **Dilution charge and SDRT provision**

Investors should note that in certain circumstances a dilution adjustment may be made on the purchase or redemption of Shares (see the "Other dealing information" section of this Prospectus) or a provision for SDRT may be applied on the purchase, redemption or transfer of Shares (see the "SDRT" section of this Prospectus). Where a dilution adjustment is not made the Fund in question may incur dilution which may constrain capital growth.

### 5.4 **Charges to capital**

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee may be charged against capital instead of against income. This treatment of the ACD's fee will increase the amount of income (which may be taxable) available for distribution to Shareholders in the Fund concerned but may constrain capital growth. Currently none of the Fund's charge the ACD fee against capital but deduct from income instead.

### 5.5 **Suspension of dealings in Shares**

Investors are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of switching) may be suspended (see the "Suspension of dealings in the Company" section of this Prospectus).

## 5.6 Liabilities of the Company

As explained in paragraph 2.2 above where, under the OEIC Regulations, each Fund is a segregated portfolio of assets and those assets can only be used to meet the liabilities of, or claims against, that Fund. Whilst the provisions of the OEIC Regulations provide for segregated liability between Funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known whether a foreign court would give effect to the segregated liability and cross-investment provisions contained in the OEIC Regulations. Therefore, it is not possible to be certain that the assets of a Fund will always be completely insulated from the liabilities of another Fund of the Company in every circumstance.

Notwithstanding the above, however, Shareholders are not liable for the debts of the Company. A Shareholder is not liable to make any further payment to the Company after he has paid the price on purchase of the Shares.

## 5.7 Currency exchange rates

Currency fluctuations may adversely affect the value of a Fund's investments and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of his investment in Shares.

## 5.8 Hedged Share Classes

Hedging transactions may be entered into whether the reference currency of a Share Class is declining or increasing in value relative to Currency of Denomination for a Fund and so where such hedging is undertaken it may substantially protect investors in the relevant Class against these changes.

While the ACD may attempt to hedge currency risks, there can be no guarantee that it will be successful in doing so and it may result in mismatches between the currency position of the relevant Fund and the relevant hedged Share Class. As there is no segregation of liabilities between Share Classes, there is a remote risk that under certain circumstances, currency hedging transactions in relation to a Share Class could result in liabilities which might affect the Net Asset Value of other Share Classes of the same Fund.

Investors in hedged Share Classes should note that risk warning "Exchange Rates" is still applicable to their investment.

## 5.9 Emerging markets

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets.

The risks of expropriation, nationalisation and social, political and economic instability are greater in emerging markets than in more developed markets.

The following is a brief summary of some of the more common risks associated with emerging markets investment:

Fraudulent securities – Given the lack of a regulatory structure it is possible that securities in which investments are made may be found to be fraudulent. As a result, it is possible that loss may be suffered.

Lack of liquidity – The accumulation and disposal of holdings may be more expensive, time consuming and generally more difficult than in more developed markets. Also, due to the lack of liquidity, volatility may be higher. Many emerging markets are small, have low trading volumes, low liquidity and significant price volatility.

Currency fluctuations – Significant changes in the currencies of the countries in which investments are made in respect of the currency of denomination of the relevant Fund may occur following the investment of the Company in these currencies. These changes may impact the total return of the Fund to a significant degree. In respect of currencies of certain emerging countries, it is not possible to undertake currency hedging techniques.

Settlement and custody risks – Settlement and custody systems in emerging markets are not as well developed as those in developed markets. Standards may not be as high and supervisory and regulatory authorities not as sophisticated. As a result there may be risks that settlement may be delayed and that cash or securities could be disadvantaged.

Investment and remittance restrictions – In some cases, emerging markets may restrict the access of foreign investors to securities. As a result, certain equity securities may not always be available to a Fund because the maximum permitted number of or investment by foreign shareholders has been reached. In addition, the outward remittance by foreign investors of their share of net profits, capital and dividends may be restricted or require governmental approval. The Company will only invest in markets in which it believes these restrictions to be acceptable. However, there can be no guarantee that additional restrictions will not be imposed.

Accounting – Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to companies in emerging markets differ from those applicable in more developed markets in respect of the nature, quality and timeliness of the information disclosed to investors and, accordingly, investment possibilities may be difficult to properly assess.

#### **5.10 Smaller companies**

Funds investing in smaller companies invest in transferable securities which may be less liquid than the securities of larger companies, as a result of inadequate trading volume or restrictions on trading. Securities in smaller companies may possess greater potential for capital appreciation, but also involve risks, such as limited product lines, markets and financial or managerial resources and trading in such securities may be subject to more abrupt price movements than trading in the securities of larger companies

#### **5.11 Overseas bonds and currencies**

The Henderson Emerging Market Debt Absolute Return Fund and the Henderson Credit Alpha Fund will hold overseas bonds and currencies. From time to time, any Bond Fund may invest in overseas bonds and currencies. These markets may respond to different influences to those that affect the underlying funds and accordingly carry a higher degree of risk.

## 5.12 Derivatives and volatility

Derivative instruments may be used in the Funds for the purposes of hedging and meeting the investment objectives of the Funds, including risk reduction and implementation of investment policies. For the purpose of clarity, the use of derivatives for hedging purposes should not lead to an increase in risk to the Fund. **However, derivatives, when used to implement an investment policy, may increase the volatility of a Fund's share price although it is not intended that their use will otherwise cause its existing risk profile to change.**

### Derivative techniques

The COLL Sourcebook permits the ACD to use certain techniques when investing in derivatives in order to manage a Fund's exposure to particular counterparties and in relation to the use of collateral to reduce overall exposure to over-the-counter ("OTC") derivatives; for example a Fund may take collateral from counterparties with whom they have an OTC derivative position and use that collateral to net off against the exposure they have to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread limits. The COLL Sourcebook also permits a fund to use derivatives to effectively short sell (agree to deliver the relevant asset without holding it in the scheme) under certain conditions.

## 5.13 Credit default swaps

A credit default swap ("CDS") is a product designed to transfer the credit risk of fixed income products between two counterparties. The counterparties form an agreement under which one counterparty (the protection buyer) pays a periodic fee to the other (the protection seller) in return for insurance over the credit worthiness of a specific fixed income security/index. On the happening of certain specified credit events the protection seller is obliged to pay an agreed sum to the protection buyer. A CDS can be used for protection against a credit risk or traded as investments in their own right as a means of producing income. As with all investment funds, there is a risk to each party of a contract that the counterparty will not live up to its obligations.

## 5.14 Tax

Tax laws currently in place may change in the future which could affect the value of your investments. See the section headed 'Taxation' in this Prospectus regarding further details in respect of the taxation of the Fund.

## 5.15 Inflation risk

Returns will depend on a Fund's growth, interest rates and the effects of inflation over time.

## 5.16 Performance risk

There will be a variation in performance between Funds with similar objectives due to the different assets selected. The degree of investment risk depends on the risk profile of the Fund chosen.



### 5.17 **Custody**

There may be a risk of loss where the assets of the Funds are held in custody which could result from the insolvency, negligence or fraudulent action of a custodian or sub-custodian.

### 5.18 **Credit and Fixed Interest Security**

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of the capital may fall, and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit rating (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds. A sub-investment grade bond has a Standard and Poor's credit rating of below BBB or equivalent.

The Henderson Institutional Emerging Market Debt Absolute Return Fund, the Henderson Credit Alpha Fund and the Henderson Interest Rate Alpha Fund will hold sub-investment grade bonds. From time to time the other Bond Funds may hold sub investment grade bonds. As stated such bonds have a lower credit rating than investment grade bonds and carry a higher degree of risk.

### 5.19 **Concentrated Portfolio**

As part of its investment strategy a Fund may invest in a concentrated portfolio of investments. The more concentrated a Fund becomes, the more it is affected by fluctuations in the performance of individual underlying investments. A concentrated portfolio amplifies the impact of gains from individual holdings but may lead to more risk and lower resilience to market events than a more diversified portfolio.

### 5.20 **Absolute Return Funds**

A Fund may seek to achieve an 'absolute return'. This means the Fund aims to deliver an increase in value of invested capital over a defined investment horizon. There is no guarantee that this will be achieved over that specific, or any, time period and there is a risk that investors will lose the capital they invest.

### 5.21 **[EMIR**

European Union Regulation No 648/2012 on OTC derivatives, central counterparties and trade repositories ("EMIR"), which came into force on 16 August 2012, introduces uniform requirements in respect of OTC derivatives by requiring certain OTC derivatives to be submitted for clearing to regulated central counterparty ("CCPs"). In addition, EMIR mandates the reporting of certain details of OTC and exchange-traded derivatives to trade repositories and imposes requirements for appropriate procedures and arrangements to measure, monitor and mitigate operational and counterparty credit risk in respect of OTC derivatives which are not subject to mandatory clearing. Ultimately, these requirements are likely to include the exchange and segregation of collateral by the parties, including by the Company.

While some of the obligations under EMIR have come into force, a number of the requirements are subject to phase-in periods. In addition, it is as yet unclear whether the UCITS Directive will be amended to reflect the requirements of EMIR. Accordingly, it is difficult to predict the full impact of EMIR on the Company and

the Funds, which may include an increase in the overall costs of entering into and maintaining OTC derivatives. The Directors and the Investment Manager will monitor the position. However, prospective investors and Shareholders should be aware that the regulatory changes arising from EMIR may in due course adversely affect the ability of the Funds to adhere to their respective investment policies and achieve their investment objective.]

## 6. MANAGEMENT AND ADMINISTRATION

### 6.1 Regulatory status

The ACD, the Investment Manager and BNP Paribas Securities Services are each authorised and regulated by the Financial Conduct Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS. The Depositary is authorised by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority.

### 6.2 ACD

The ACD is Henderson Investment Funds Limited which is a private company limited by shares incorporated in England and Wales on 17 January 1992.

**Registered office and head office:** 201 Bishopsgate, London EC2M 3AE

**Share capital:** Authorised Share Capital of £5,000,000 with an issued and paid up share capital of £1,000,000

**Ultimate holding company:** Henderson Group plc a public limited company incorporated in Jersey

The ACD is responsible for managing and administering the Company's affairs in compliance with the COLL Sourcebook. The directors of the ACD are as follows:

L Cairney

R McNamara

P Wagstaff

G Kitchen

C Chaloner

H J de Sausmarez

Each of the directors is an employee of Henderson Administration Limited, which is also a subsidiary of Henderson and have varying responsibilities within the Group. Subject to this, none of the directors have any significant business activities other than those connected with the business of the ACD. The ACD may delegate its management and administration functions to third parties including associates subject to the rules in the COLL Sourcebook. Details of the functions the ACD currently delegates are set out in this section 6.

The ACD acts as manager of various authorised unit trusts and it also acts as the authorised corporate director of several investment companies with variable capital. Please see Appendix V for further details.

#### **Terms of appointment:**

The appointment of the ACD has been made under an agreement dated 1 July 2005 between the Company and the ACD (the "ACD Agreement").

The ACD Agreement provides that the appointment of the ACD may be terminated on 12 months' written notice being given to the other by either the ACD or the

Company, provided that the notice period does not expire prior to the third anniversary of the ACD Agreement or immediately in certain circumstances, by notice in writing being given by the ACD to the Company, or by the Depositary or the Company to the ACD. Termination cannot take effect until the FCA has approved the change of director.

The ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily incurred in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the agreement. The ACD Agreement provides indemnities to the ACD except in the case of any matter arising as a direct result of its negligence, fraud or wilful default in the performance of its duties and obligations.

The ACD is under no obligation to account to the Depositary or the Shareholders for any profit it makes on the issue or reissue of Shares or cancellation of Shares which it has redeemed. The fees to which the ACD is entitled are set out in the "Charges payable to the ACD" section of this Prospectus.

### **6.3 The Depositary**

The Depositary is National Westminster Bank Plc National Westminster Bank Plc is a subsidiary company of RBS and as such The Royal Bank of Scotland Group Plc is the ultimate holding company of the depositary. Its registered office is at 135 Bishopsgate, London, EC2M 2AP, as is its head office and it is incorporated in England & Wales.

The appointment of the Depositary has been made under an agreement dated 12 February 2005 between the ACD, the Company and the Royal Bank of Scotland plc and novated in favour of the Depositary with effect from 1 October 2011 (the "Depositary Agreement"). The Depositary is responsible for the safekeeping of all the property of the Company and has a duty to take reasonable care to ensure that the Company is managed in accordance with the provisions of the COLL Sourcebook relating to the pricing of, and dealing in, Shares and relating to the income of the Funds.

#### **Terms of appointment:**

Subject to the COLL Sourcebook, the Depositary has full power under the Depositary Agreement to delegate (and authorise its delegate to subdelegate) all or any part of its duties as depositary. The Depositary has delegated its custodial duties to BNP Paribas Securities Services (the "Custodian").

The Depositary Agreement may be terminated on three months' written notice by the Depositary or the Company or immediately in certain circumstances.

The Depositary Agreement provides indemnities to the Depositary in the discharge of its functions (except in relation to any cost, expense, charge, loss or liability arising out of the negligence, fraud or wilful default of the Depositary or breach by the Depositary of the Regulations).

The fees to which the Depositary is entitled are set out in the "Depositary's fee" section of this Prospectus.

### **6.4 The Investment Manager**

The ACD has appointed the Investment Manager, Henderson Global Investors Limited, to provide investment management and advisory services to the ACD. In addition the Investment Manager shall be responsible for the provision of fund

accounting, securities and cash services and other administration services (“Investment Administration Services”) to the ACD.

The Investment Manager’s registered office is at 201 Bishopsgate, London EC2M 3AE. As with the ACD, the Investment Manager is a member of the Henderson Group plc group of companies.

The principal activity of the Investment Manager is the provision of investment management services.

**Terms of appointment:**

The Investment Manager was appointed by an agreement dated 1 July 2005 between the ACD and the Investment Manager (the “Investment Management Agreement”).

Subject to appropriate controls imposed by the ACD, all relevant law and regulation, this Prospectus and the Instrument of Incorporation and further instructions given by the ACD, the Investment Manager has discretion to take day to day investment decisions and to deal in investments in relation to the investment management of the Company, without prior reference to the ACD.

The Investment Manager is entitled to delegate the provision of Investment Administration Services to other companies within the Henderson Group plc group of companies as well as to third parties with the prior consent of the ACD.

Under the Investment Management Agreement the ACD provides indemnities to the Investment Manager (except in the case of any matter arising as a direct result of its fraud, negligence, or wilful default). The ACD may be entitled under the indemnities in the ACD Agreement to recover from the Company amounts paid by the ACD under the indemnities in the Investment Management Agreement.

The Investment Management Agreement may be terminated on three months’ written notice being given to the other by the Investment Manager or the ACD after an initial period of six months or immediately in certain circumstances including where it is in the best interests of the Shareholders.

**6.5 The Sub-Investment Manager**

For the Henderson US Equity Long/Short Fund the Investment Manager has delegated certain investment management functions to Northern Pines Henderson Capital LLC as a Sub-Investment Manager.

The Sub-Investment Manager’s registered office is at 280 Congress Street, 12<sup>th</sup> Floor. Boston, MA 02210. USA. The Sub-Investment Manager is part owned (50%) by Henderson Group Plc.

The principal activity of the Sub-Investment Manager is the provision of investment management services.

**Terms of appointment:**

The Sub-Investment Manager was appointed by an agreement dated 4 December 2013 between the Investment Manager and the Sub-Investment Manager (the “Sub-Investment Management Agreement”).

Subject to appropriate controls imposed by the Investment Manager, all relevant law and regulation, this Prospectus and the Instrument of Incorporation and

further instructions given by the ACD and/or the Investment Manager, the Sub-Investment Manager has discretion to take day to day investment decisions and to instruct deals in investments in relation to the investment management of the Henderson US Equity Long/Short Fund, without prior reference to the Investment Manager or the ACD.

Under the Sub-Investment Management Agreement the Investment Manager provides indemnities to the Sub-Investment Manager (except in the case of any matter arising as a direct result of its fraud, negligence, or wilful default).

The Sub-Investment Management Agreement may be terminated on three months' written notice being given to the other by the Investment Manager or the Sub-Investment Manager after an initial period of six months or immediately in certain circumstances including where it is in the best interests of the Shareholders.

#### **6.6 Administration and Registration**

The ACD has appointed Henderson Administration Limited to provide certain Fund administration services (including fund accounting). Henderson Administration Limited in turn delegates these functions to BNP Paribas Securities Services. BNP Paribas Securities Services' registered office is at 55 Moorgate, London, EC2R 6PA.

The principal activity of BNP Paribas Securities Services is the provision of administration and registration services.

The appointment of BNP Paribas Securities Services as Administrator and Registrar can be terminated immediately in circumstances where it is in the best interests of the Shareholders.

The client administration and registrar function is carried out by International Financial Data Services Limited and International Financial Data Services (UK) Limited ("IFDS"). The registered office of IFDS is IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS.

#### **6.7 The auditors**

The auditors of the Company are PricewaterhouseCoopers LLP of Kintyre House, 141 Bothwell Street, Glasgow G2 7EQ.

#### **6.8 Legal advisers**

The Company is advised by Eversheds LLP of One Wood Street, London, EC2V 7WS.

#### **6.9 Register of Shareholders**

The Register of Shareholders is maintained by International Financial Data Services (UK) Limited at its office at IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS and may be inspected at the above address during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

#### **6.10 Conflicts of interest**

The ACD, the Investment Manager and other companies within the Henderson Group plc group of companies may, from time to time, act as investment managers or advisers to other funds or sub funds which follow similar investment objectives to those of the Funds. It is therefore possible that the ACD and/or the

Investment Manager may, in the course of their business, have potential conflicts of interest with the Company or a particular Fund or that a conflict exists between the Company and other funds managed by the ACD. Each of the ACD and/or the Investment Manager will, however, have regard in such event to its obligations under the ACD Agreement and the Investment Management Agreement respectively and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise.

Where a conflict of interest cannot be avoided, the ACD and the Investment Manager will ensure that the Company and other collective investment schemes it manages are fairly treated.

The ACD acknowledges that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Company or its Shareholders will be prevented. Should any such situations arise the ACD will disclose these to Shareholders in an appropriate format.

The Depositary may, from time to time, act as the depositary of other open ended investment companies and as trustee or custodian of other collective investment schemes.

## 7. FEES AND EXPENSES

### 7.1 General

Each Fund formed after this Prospectus is superseded may bear its own direct establishment costs.

All fees or expenses payable by a Shareholder or out of the property of the Company are set out in this section 7.

### 7.2 Charges payable to the ACD

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual management charge out of each Fund. The annual management charge is calculated and accrued on a daily basis by reference to the Net Asset Value of the Fund on the previous business day and the amount due for each month is payable on the last working day of the month. The current management charges for the Funds (expressed as a percentage per annum of the Net Asset Value of each Fund) are set out in Appendix I.

The ACD is also entitled to all reasonable, properly documented, out of pocket expenses incurred in the performance of its duties.

VAT is payable on these charges or expenses where appropriate.

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee may be charged against capital instead of against income as set out in Appendix I. This will only be done with the approval of the Depositary. This treatment of the ACD's fee will increase the amount of income (which may be taxable) available for distribution to Shareholders in the Fund concerned, but may constrain capital growth.

If a Class's expenses in any period exceed its income the ACD may take that excess from the capital property attributable to that Class.

Any increase of the management fee, the performance fee or the general administration charge (set out below) may be made by the ACD only in accordance with the requirements of the COLL Sourcebook.

### 7.3 Fees for holders of Class S, Class Y Shares and Class Z Shares

#### Management fee

An annual ACD fee is payable out of the property of the Funds in respect of Class S and Class Y Shares as shown in Appendix I. The ACD may agree a separate fee with investors, in respect of the management of Class S and Class Y Shares, which is not payable out of the property of the relevant Fund and is subject to negotiation by the ACD.

The ACD will agree a separate fee with investors which is not payable out of the property of the relevant Fund, in respect of the management of Class Z Shares in each Fund which is subject to negotiation by the ACD.



## **Performance Fee**

If applicable, the ACD will be entitled to a fee payable directly by Shareholders in Class Y and Class Z in the Funds related to the performance of the Fund constituting the "Performance Fee". The Performance Fee will be calculated and paid as agreed between the ACD and individual investors.

### **7.4 Expenses of the ACD**

The Company will also pay to the ACD out of the scheme property any expenses incurred by the ACD or its delegates of the kinds described below under "Other payments out of the scheme property of the Company", including legal and professional expenses of the ACD and its delegates in relation to the proper performance of the ACD's duties under the ACD Agreement, or related to documents amending the ACD Agreement.

### **7.5 General Administration Charge**

The General Administration Charge ("GAC") reimburses the ACD for the following costs, charges, fees and expenses which it pays on behalf of the Funds:

- the fees and expenses payable in respect of Fund Administration (including fund accounting costs) to their respective delegates, unless otherwise specified in this Prospectus;
- fees and expenses in respect of establishing and maintaining the Register of Shareholders (and any sub-register(s)) and charges made by the Fund Administrator, Client Administrator, the Registrar, their respective delegates or any other entity relating to dealings in Shares and related functions;
- any costs incurred in producing, distributing and dispatching income and other payments to Shareholders;
- any costs in respect of the preparation and calculation of the Net Asset Value and prices of Shares in the Funds and the publication and circulation thereof (including the costs of electronic data/information sources) and the costs of obtaining fund ratings and benchmark costs;
- fees of the FCA under the Financial Services and Markets Act 2000 and the corresponding fees of any regulatory authority in a country or territory outside the country in which Shares are or may lawfully be marketed;
- the fees, charges, expenses and disbursements of the auditors and any tax, legal and other professional service provider or adviser of the Company including (for the avoidance of doubt) any legal costs arising from any Shareholder action;
- any costs incurred in respect of any meeting of holders (including meetings convened on a requisition by holders and not including the ACD or an associate of the ACD);
- any costs incurred in producing and despatching dividend or other payments of the Company;

- any costs incurred in modifying the Instrument of Incorporation, the ACD Agreement and the Prospectus, the Simplified Prospectus, the Key Investor Information Document or any other pre-contractual disclosure required by law or regulation or any other relevant document required under the Regulations;
- costs incurred in taking out and maintaining any insurance policy in relation to the Company and/or its Directors (including the ACD) and the Depositary;
- any costs incurred in company secretarial duties, including the cost of minute books and other documentation required to be maintained by the Company;
- any costs incurred in the preparation, translation, production (including printing) and distribution of annual, half yearly or other reports or information provided for Shareholders, accounts, statements, contract notes and other like documentation, any prospectuses (including simplified prospectuses (apart from the costs of distributing any simplified prospectus), key investor information document or any other pre-contractual disclosure document required by law or regulation (either in respect of the Company or a Fund)), any instrument of incorporation and any costs incurred as a result of periodic updates of or changes to any prospectus or instrument of incorporation and any other administrative expenses;
- any amount payable by the Company under any indemnity provisions contained in the Instrument of Incorporation or any agreement with any functionary of the Company;
- any payments otherwise due by virtue of the COLL Sourcebook;
- all costs incurred in connection with communicating with investors;
- all fees and expenses incurred in relation to the addition and initial organisation of any new Funds, the listing of Shares on any stock exchange, any offer of Shares (including the preparation, translation, printing and distribution of any Prospectus (apart from the costs and expenses of distributing any simplified prospectus or any Key Investor Information Document or any other pre-contractual disclosure required by law or regulation ) and listing documents) and the creation, conversion and cancellation of Shares in a new or existing Fund;
- certain liabilities on amalgamation or reconstruction arising after transfer of property to the Company in consideration for the issue of Shares as more fully detailed in the FCA Rules;
- the fees and expenses of any paying agents, information agents or other entities which are required to be appointed by the Company by any regulatory authority;
- royalties, licensing fees and other like payments in relation to the use of intellectual property; and
- any VAT that is payable on these charges where appropriate.

The current General Administration Charges for each Share Class are set out in Appendix I.

The GAC is calculated as a percentage of the scheme property and the amount each Share Class in each Fund will pay will depend on the costs attributable to each Share Class based on whether the Class is a “retail” Class or an “institutional” Class. The GAC accrues on a daily basis and is payable to the ACD by each Share Class monthly.

Due to the way in which the GAC is calculated across the ACD’s range, the GAC may be more or less than the charges and expenses that the ACD would be entitled to charge to a particular fund under the traditional charging method. It could be considered, therefore, that some UK authorised funds managed by the ACD will be “subsidising” its other UK authorised funds under the GAC method. However, the ACD believes that the GAC is more efficient, transparent and consistent than traditional charging methods, and that the degree of potential cross-subsidisation is small in relation to the gain in efficiency and transparency. In addition, the ACD is taking upon itself the risk that the market value of its funds will fall to the extent that the GAC will not fully recompense it for the charges and expenses that the ACD would otherwise be entitled to charge to those funds, and the ACD is therefore affording a degree of protection in relation to costs to investors.

To ensure that the GAC is, over time, set at a level that is a fair reflection of the charges and expenses that the ACD would be entitled to charge across all of its UK authorised funds under the traditional charging method, periodically, and at least once a year, the ACD will review the operation and amount of the GAC.

The ACD is not accountable to Shareholders should the aggregate fees generated by the GAC in any period exceed the charges and expenses that the ACD would be entitled to charge across all of the ACD’s funds under the traditional charging method.

For the avoidance of doubt, any deductions and income arising from stock lending is not included in the GAC.

#### **7.6 Investment Manager’s fee**

The Investment Manager’s fees and expenses (plus any applicable VAT thereon) for providing investment management services will be paid by the ACD out of its fees.

The Investment Manager is also entitled to receive a further fee related to the performance of the Henderson Credit Alpha Fund and the Henderson US Equity Long/Short Fund only (the “Performance Fee”). The amount of the fee, the circumstances in which it becomes payable, how it is calculated and other relevant matters are set out in Appendix IV.

#### **7.7 Depositary’s fee**

The Depositary’s remuneration, which is payable out of the property, is a periodic charge at such annual percentage rate of the value of the property of each Fund as is set out below, with the property of each Fund being valued and such remuneration accruing and being paid on the same basis as the ACD’s periodic charge. Currently, the ACD and the Depositary have agreed that the Depositary’s remuneration in respect of each Fund shall be calculated as 0.010 per cent on the net asset value of each Fund.

The Depositary is also entitled to receive, out of the property of each Fund, remuneration for performing or arranging for the performance of the functions conferred on the Depositary by the Instrument of Incorporation or the COLL

Sourcebook. The Depositary's remuneration under this paragraph shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears on the next following date on which payment of the Depositary's periodic charge is to be made or as soon as practicable thereafter. Currently the Depositary does not receive any remuneration or service charges under this paragraph.

The Depositary is permitted to increase its remuneration, subject to the requirements of the COLL Sourcebook.

#### 7.8 **Depositary's expenses (including custody fees)**

In addition to the remuneration referred to above, the Depositary will be entitled to receive reimbursement for expenses properly incurred by it in the discharge of its duties or exercising any of the powers conferred upon it in relation to the Company and each Fund, subject to approval by the ACD.

The Depositary has appointed BNP Paribas Securities Services as the Custodian of the property of the Company and is entitled to receive reimbursement of the Custodian's fees as an expense of the Company. BNP Paribas Securities Services remuneration for acting as Custodian is calculated at an ad valorem rate determined by the territory or country in which a Fund's assets are held. Currently, the lowest rate is 0.02 per cent and the highest rate is 0.3 per cent. In addition, the Custodian makes a transaction charge determined by the territory or country in which the transaction is effected. Currently, these transaction charges range from £6 to £65 per transaction.

The Depositary is also entitled to be reimbursed out of the property of each Fund in respect of remuneration charged by the Custodian for such services as the ACD, Depositary and the Custodian may from time to time agree, being services delegated to the Custodian by the Depositary in performing or arranging for the performance of the functions conferred on the Depositary by the Instrument of Incorporation or COLL Sourcebook. Remuneration charged under this paragraph shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears. Currently the Custodian does not receive any remuneration or service charges under this paragraph.

The Custodian is permitted to increase its remuneration, subject to the agreement of the Depositary and the ACD in the same way as for the increase of the ACD's fee as set out in 7.2 above.

The following further expenses may also be paid out of the property of the Fund:

- (i) all charges imposed by, and any expenses of, any agents appointed by the Depositary to assist in the discharge of its duties;
- (ii) all charges and expenses incurred in connection with the collection and distribution of income;
- (iii) all charges and expenses incurred in relation to the preparation of the Depositary's annual report to shareholders.

Subject to current VAT regulations, VAT at the prevailing rate may be payable in addition to the Depositary's remuneration, the Custodian's remuneration and the above expenses.

On a winding up of the Company, termination of a Fund or the redemption of all outstanding Shares of a Class, the Depositary is entitled to its pro rata fees and

expenses to the date of such winding up, termination or redemption and any additional expenses necessarily realised in settling or receiving any outstanding obligations. No compensation for loss of office is provided for in the agreement with the Depositary.

#### **7.9 Stock Lending Agents' Fees**

Stock lending generates additional revenue for the benefit of a Fund. 85% of such revenue will be for the benefit of the relevant Fund, with a maximum of 15% representing operational costs being retained by the stock lending agent (BNP Paribas Securities Services) the split of revenue between the parties will be reviewed periodically by the ACD.

#### **7.10 Other payments out of the property of the Company**

In accordance with the OEIC Regulations and COLL, the following payments may lawfully be made out of the property of the Funds:

7.10.1 broker's commission, fiscal charges and other disbursements which it is necessary to incur in effecting transactions for the Funds concerned and which are normally shown in contract notes, confirmation notes and difference accounts, as appropriate;

7.10.2 interest on borrowings permitted under the FCA Rules and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;

7.10.3 taxation and duties payable in respect of the property of the Funds or in respect of the issue of Shares in a Fund, including stamp duties or other taxes or duties in relation to the transfer to the Company of assets acquired in exchange for the issue of Shares;

7.10.4 any value added or similar tax relating to any charge or expense set out above.

7.10.5 expenses incurred in acquiring and disposing of investments.

#### **7.11 Allocation of fees and expenses between Funds**

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Fund in respect of which they were incurred. Where an expense is not considered to be attributable to any one Fund, the expense will normally be allocated to all Funds pro rata to the value of the Net Asset Value of the Funds, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fair to Shareholders generally.

## **8. SHAREHOLDER MEETINGS AND VOTING RIGHTS**

### **8.1 Annual general meeting**

In accordance with The Open-Ended Investment Companies (Amendment) Regulations 2005, the Company has elected to dispense with the holding of annual general meetings of the Company.

### **8.2 Class and Fund meetings**

The provisions below, unless the context otherwise requires, apply to Class meetings and meetings of Funds as they apply to general meetings of the Company, but by reference to Shares of the Class or Fund concerned and the Shareholders and value and prices of such Shares.

### **8.3 Requisitions of meetings**

The ACD may requisition a general meeting at any time.

Shareholders may also requisition a general meeting of the Company. A requisition by Shareholders must state the objects of the meeting, be dated, be signed by Shareholders who, at the date of the requisition, are registered as holding not less than one tenth in value of all Shares then in issue and the requisition must be deposited at the head office of the Company. The ACD must convene a general meeting no later than eight weeks after receipt of such requisition.

### **8.4 Notice and quorum**

Shareholders will receive at least fourteen days' notice of a general meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. The quorum for an adjourned meeting is one Shareholder present in person or by proxy. Notices of meetings and adjourned meetings will be sent to Shareholders at their registered addresses.

### **8.5 Voting rights**

At a general meeting, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.

On a poll vote, a Shareholder may vote either in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price(s) of all the Shares in issue at the date seven days before the notice of meeting was sent out.

A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

Except where the COLL Sourcebook or the Instrument of Incorporation of the Company require an extraordinary resolution (which needs at least 75 per cent of the votes cast at the meeting to be in favour if the resolution is to be passed) any resolution required by the COLL Sourcebook will be passed by a simple majority of the votes validly cast for and against the resolution.

Where a resolution (including an extraordinary resolution) is required to conduct business at a meeting of Shareholders and every Shareholder is prohibited under COLL 4.4.8R(4) from voting it shall not be necessary to convene such a meeting and, a resolution may, with the prior written agreement of the Depositary to the process, instead be passed with the written consent of Shareholders representing 50 per cent or more, or for an extraordinary resolution 75 per cent of the Shares in issue.

The ACD may not be counted in the quorum for a meeting and neither the ACD nor any associate (as defined in the COLL Sourcebook) of the ACD is entitled to vote at any meeting of the Company except in respect of Shares which the ACD or associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.

For joint Shareholders, the vote of the most senior who votes, whether in person or by proxy, must be accepted to the exclusion of the votes of the other joint Shareholders. For this purpose seniority must be determined by the order in which the names stand in the register of Shareholders.

"Shareholders" in this context means Shareholders on the date seven days before the notice of the relevant meeting was sent out but excludes Shareholders who are known to the ACD not to be Shareholders at the time of the meeting.

#### **8.6 Variation of class rights**

The rights attached to a Class or Fund may only be varied pursuant to the COLL Sourcebook.

## 9. TAXATION

### 9.1 General

The information below is a general guide based on current United Kingdom law and HM Revenue & Customs practice, both of which are subject to change. In particular, the tax rates referred to below are susceptible to change. It summarises the tax position of the Funds and of investors who are United Kingdom resident and hold Shares as investments. Investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, are recommended to take professional advice.

The Government has introduced regulations providing for tax-elected funds. No decision had been taken by the ACD to elect for any of the Funds to be tax-elected funds at the date of this Prospectus. The ACD is, however, monitoring developments and keeping the position under review, and may elect for one or more of the Funds to be tax-elected funds ("TEFs") where it appears to be advantageous to do so.

TEFs are in practice not subject to United Kingdom tax on their income, which is streamed through to investors who alone are taxable on it. For United Kingdom tax purposes, a TEF's income distributions (and accumulations) are divided into two types of income in the hands of investors, dividend distributions and non-dividend distributions. Their size reflects the nature of the type of income arising in the TEF in the period.

### 9.2 The Funds

Each Fund is treated as a separate open-ended investment company for United Kingdom tax purposes.

The Funds themselves are generally exempt from United Kingdom tax on capital gains realised on the disposal of their investments (including interest-paying securities and derivatives).

Dividends from United Kingdom and non-United Kingdom companies and dividend distributions from United Kingdom authorised unit trusts and open-ended investment companies (except for any portion which is deemed to be unfranked) is generally exempt from tax when received by a Fund. The Funds will each be subject to corporation tax at 20 per cent on other types of income but after deducting allowable expenses (including the agreed fees and expenses of the ACD and the Depositary and the gross amount of any interest distributions). If a Fund suffers foreign tax on income received, this may normally be deducted from any United Kingdom tax due on that income or treated as an expense.

### 9.3 Shareholders

#### **Income - Equity Funds:**

All the Equity Funds which produce distributable income will pay dividend distributions (which will be automatically reinvested in the Fund in the case of accumulation Shares). Dividend distributions will be paid with a 10 per cent tax credit. United Kingdom resident individuals liable to income tax at the basic rate will have no further liability to tax. Higher rate taxpayers will have to pay an additional amount of income tax equivalent to 25 per cent of their net receipt, and from 6 April 2010 additional rate taxpayers will have to pay an additional amount



of income tax equivalent to 36.1 per cent of it. Non-taxpayers may not reclaim the tax credits on dividend distributions.

Any corporate Shareholders who are not exempt from tax on income who receive dividend distributions may have to divide them into two (the division will be indicated on the tax voucher). Any part representing dividends received from a United Kingdom or non-United Kingdom company will be treated as dividend income and no further tax will generally be due on it. The remainder will be received as an annual payment after deduction of income tax at the basic rate, and corporate Shareholders may be liable to tax on the grossed up amount. The 20 per cent income tax credit may be set against their corporation tax liability or part of it refunded, as appropriate. The proportion of the tax credit which can be repaid or offset will be provided on the tax voucher.

Non-United Kingdom resident Shareholders will generally not be entitled to reclaim any part of the tax credit on a dividend distribution from HM Revenue & Customs although it will normally satisfy their United Kingdom tax liability on that income. They may also be able to offset the tax credit against their liability to tax in their own country.

#### **Income - Bond Funds:**

The Bond Funds currently pay interest distributions (which will be automatically reinvested in the Fund in the case of accumulation Shares). For net priced Shares, these are made after income tax at 20 per cent has been deducted and paid to HM Revenue & Customs by the Depository. A tax voucher showing the total interest distribution before the deduction of tax (gross interest), the tax deducted and the amount of the interest distribution after tax has been deducted (net interest) will be supplied to Shareholders.

For individual Shareholders, the gross interest will be subject to income tax at 10 per cent in the case of starting rate on savings income taxpayers, 20 per cent in the case of basic rate taxpayers or 40 per cent in the case of higher rate taxpayers (and, as from 6 April 2010, 50 per cent in the case of additional rate taxpayers). The tax deducted will satisfy in full the tax liability on the interest of Shareholders subject to basic rate income tax. For Shareholders who are starting rate income taxpayers part of the tax deducted will satisfy their liability leaving part to be reclaimed from HM Revenue & Customs. Shareholders who are higher rate taxpayers should set the tax deducted against their tax bill and pay HM Revenue & Customs a further 20 per cent of the gross interest (this amounts to 25 per cent of the net interest received), (and additional rate taxpayers will have a further 30 per cent to pay). Non-taxpayers may reclaim the tax deducted from HM Revenue & Customs. Where Shares are held through an ISA, the ISA manager may reclaim the tax deducted.

Shareholders chargeable to United Kingdom corporation tax will be liable to tax on the gross interest but will receive credit for the 20 per cent income tax deducted.

Non-United Kingdom resident Shareholders may be entitled to a refund from HM Revenue & Customs of the tax deducted from their interest distributions (or a proportion of it) depending on their personal circumstances and whether there is a provision entitling them to repayment in any taxation convention or agreement which exists between their country of residence and the United Kingdom.

The ACD is able to pay or accumulate interest distributions without withholding income tax from the payment to certain types of investor. These include companies, shareholders who are not ordinarily resident in the United Kingdom, pension funds and charities. Any eligible investor wishing to receive interest

payments gross should contact the ACD who will provide the appropriate form to be completed and returned to it. The ACD may require suitable indemnity from the recipient before gross payment or accumulation can be made.

### **Income equalisation:**

Income equalisation currently applies to all the Funds.

Part of the price on purchase of a Share reflects the relevant share of accrued income received or to be received by the Fund. This capital sum is returned to a Shareholder (or where accumulation Shares are held, it will be accumulated) with the first allocation of income in respect of a Share issued during an accounting period. The amount representing the income equalisation in the Share's price is a return of capital, and is not itself taxable in the hands of Shareholders but must be deducted by them from the price of the Shares for the purpose of calculating any liability to capital gains tax.

### **Gains:**

Shareholders who are resident in the United Kingdom for tax purposes may be liable to capital gains tax on gains arising from the redemption, transfer or other disposal of Shares (but not on conversions between Classes within a Fund).

Part of the increase in the price of accumulation Shares is due to the accumulation of income allocations (including where applicable income equalisation but excluding tax credits). These amounts should be added to the acquisition cost of the Shares when calculating the capital gain realised on their disposal.

Shareholders in the Bond Funds who are chargeable to United Kingdom corporation tax must treat the Shares as a creditor relationship subject to a fair value basis of accounting.

### **EU Savings Directive:**

The Company is required to report details of certain interest and other payments to residents of the European Union and certain other jurisdictions to HM Revenue & Customs and also, on request, interest payments to United Kingdom residents. The ACD may require information from prospective Shareholders and Shareholders to enable the Company to comply.

The Equity Funds will be invested so that they fall outside the provisions relating to the reporting of savings income received from collective investment schemes.

### **Reporting Requirements:**

The Company may also be required to report information about Shareholders to HM Revenue & Customs to comply with its UK (and any overseas) obligations relating to FATCA and other intergovernmental information sharing agreements entered into from time to time.

### **SDRT**

Stamp duty reserve tax (SDRT) on transactions in units was abolished on the 30th March 2014. (for most types of transaction).

#### 9.4 Tax-Elected Funds (“TEFs”)

TEFs and investors in them are taxed as described in 9.1 above in respect of capital gains and SDRT. The tax treatment of their income is different, however.

##### **TEFs - income**

TEFs are entitled to deduct the gross amount of all non-dividend distributions made from their taxable income. This should result in TEFs having no United Kingdom tax liability on their income.

##### **Shareholders - income**

All the TEFs which produce distributable income will pay distributions to investors (which will be automatically reinvested in the Fund in the case of accumulation Shares).

Any United Kingdom resident investors who receive distributions (or are deemed to receive them in the case of accumulation Shares) may have to divide them into two (in which case the division will be indicated on the tax voucher). The attribution will depend on the nature of the income arising to the TEF.

TEF distribution (dividend): Any part of a TEF’s income representing dividends or certain other types of property-related income will constitute a TEF distribution (dividend) for United Kingdom tax purposes. It should be treated in the same way as a dividend distribution from a Fund that has not opted for TEF status in the hands of United Kingdom resident investors, as described in 9.3 above under the sub-heading “Income - Equity Funds:”.

TEF distribution (non-dividend): Any part of a TEF’s income representing other types of income will constitute a TEF distribution (non-dividend) for United Kingdom tax purposes. It will generally be paid after deduction of basic rate income tax and carry an income tax credit. It should be treated in the same way as an interest distribution from a Fund that has not opted for TEF status in the hands of United Kingdom resident investors, as described in 9.3 above under the sub-heading “Income - Bond Funds:”.

Non-United Kingdom resident investors will generally be required to treat all distributions from TEFs as dividends with tax credits under their domestic tax systems, depending on their personal circumstances.

## 10. WINDING UP OF THE COMPANY OR A FUND

The Company will not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under COLL 7.3. A Fund may only be wound up under the COLL Sourcebook.

Where the Company or a Fund is to be wound up under the COLL Sourcebook, such winding up may only be commenced following approval by the FCA. The FCA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company) either that the Company will be able to meet its liabilities within 12 months of the date of the statement or that the Company will be unable to do so. The Company may not be wound up under the COLL Sourcebook if there is a vacancy in the position of ACD at the relevant time.

The Company may be wound up or a Fund must be terminated under the COLL Sourcebook:

1. if an extraordinary resolution to that effect is passed by Shareholders; or
2. when the period (if any) fixed for the duration of the Company or a particular Fund by the Instrument of Incorporation expires, or any event occurs on the occurrence of which the Instrument of Incorporation provides that the Company or a particular Fund is to be wound up (for example, if the share capital of the Company or (in relation to any Fund) the Net Asset Value of the Fund is below its prescribed minimum, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Fund); or
3. on the date stated in any agreement by the FCA to a request by the ACD for the revocation of the authorisation order in respect of the Company or for the termination of the relevant Fund;
4. in the case of a Fund, on the effective date of a duly approved scheme of arrangement which is to result in the Fund ceasing to hold any Scheme Property; or
5. on the date when all the Funds fall within 4 above or have otherwise ceased to hold any Scheme Property, notwithstanding that the Company may have assets and liabilities that are not attributable to any particular Fund.

On the occurrence of any of the above:

1. COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing) and COLL 5 (Investment and Borrowing powers) will cease to apply to the Company or the relevant Fund;
2. the Company will cease to issue and cancel Shares in the Company or the relevant Fund and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company or the relevant Fund;
3. no transfer of a Share shall be registered and no other change to the Register of Shareholders shall be made without the sanction of the ACD;
4. where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;

5. the corporate status and powers of the Company and subject to 1 and 4 above, the powers of the ACD shall continue until the Company is dissolved.

The ACD shall, as soon as practicable after the Company or the Fund falls to be wound up, realise the assets and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the property of the Company or the Fund. If the ACD has not previously notified Shareholders of the proposal to wind up the Company or terminate the Fund, the ACD shall, as soon as practicable after the commencement of winding up of the Company or the termination of the Fund, give written notice of the commencement to Shareholders. When the ACD has caused all of the property to be realised and all of the liabilities of the Company or the particular Fund to be realised, the ACD shall arrange for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company or the particular Fund.

As soon as reasonably practicable after completion of the winding up of the Company or the particular Fund, the ACD shall notify the FCA that the winding up has been completed.

On completion of a winding up of the Company, the Company will be dissolved and any money (including unclaimed distributions) still standing to the account of the Company, will be paid into court by the ACD within one month of the dissolution.

Following the completion of a winding up of either the Company or a Fund, the ACD must prepare a final account showing how the winding up took place and how the property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FCA and to each Shareholder (or the first named of joint Shareholders) on the register of Shareholders within two months of the completion of the winding up or termination.

## 11. GENERAL INFORMATION

### 11.1 Accounting periods

The annual accounting period of the Company ends each year on 31 October (the accounting reference date). The interim accounting period ends each year on 30 April.

### 11.2 Income allocations

Allocations of income are made in respect of the income available for allocation in each accounting period.

For Funds in which accumulation Shares are issued, income will become part of the capital property of the Fund and will be reflected in the price of each such accumulation Share as at the end of the relevant accounting period.

Distributions of income for each Fund in which income Shares are issued are paid on or before the annual income allocation date of 31 December and on or before the interim allocation date of 30 June in each year. Distributions are paid directly to a Shareholder's bank or building society account.

If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the relevant Fund (or, if that no longer exists, to the Company). Applications for distributions that have not been paid should be made to the ACD before this six year period has elapsed.

The income available for allocation is determined in accordance with the COLL Sourcebook and the IMA's Statement of Recommended Practice for Accounting Standards for Investment Funds (SORP).

Distributable income comprises all income received or receivable for the account of each Fund in respect of the accounting period concerned, after deducting net charges and expenses paid or payable out of such income and after making such adjustments as the ACD considers appropriate, after consulting with the Fund's auditors, in accordance with the COLL Sourcebook, in relation to taxation and other matters. However, with effect from November 2007, income on debt securities, such as bonds, has been calculated on an Effective Yield basis. The Effective Yield basis treats any projected capital gain or loss on a debt security (when compared to maturity or par value) as income and this, together with any future expected income streams on the debt security, is amortised over the life of that debt security (to maturity) to calculate an effective yield which is used for the calculation of distributable income.

### 11.3 Annual reports

The ACD will prepare a short report and a long report half yearly and annually, send the short report to all Shareholders and make the long report available to Shareholders on request. The annual report of the Company will be published within 4 months of each annual accounting period and the half yearly report will be published within 2 months of each interim accounting period. These reports will also state how further copies can be obtained, who should be contacted if distributions have not been received and if there has been any subdivision or consolidation of Shares.

#### **11.4 Documents of the Company**

The following documents may be inspected free of charge during normal business hours on any business day at the offices of the ACD at 201 Bishopsgate, London EC2M 3AE:

- 11.4.1 the most recent annual and half yearly reports of the Company;
- 11.4.2 the Prospectus;
- 11.4.3 the Instrument of Incorporation (as amended); and
- 11.4.4 the material contracts referred to below.

Shareholders may obtain copies of the above documents from the ACD. The ACD may make a charge at its discretion for copies of documents where these are requested by non-Shareholders (except for copies of the most recent version of the prospectus of the Company and the most recent annual and half-yearly reports of the Company which are available to any person free of charge on request). The ACD may make a charge at its discretion for copies of documents at (d) above where these are requested by Shareholders.

#### **11.5 Material contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and are, or may be, material:

- 11.5.1 the ACD Agreement dated 1 July 2005 between the Company and the ACD; and
- 11.5.2 the Depositary Agreement dated 12 February 2005 between the Company and the Depositary.

Details of the above contracts are given in the heading "Management and Administration" section of this Prospectus.

#### **11.6 Complaints**

Complaints concerning the operation or marketing of the Company may be referred to the Compliance Officer of the ACD at 201 Bishopsgate, London EC2M 3AE or, if you subsequently wish to take your complaint further, to the Financial Ombudsman Service, Exchange Tower, London E14 9SR.

#### **11.7 Risk Management**

The ACD will provide upon the request of a Shareholder further information relating to:

- 11.7.1 the quantitative limits applying in the risk management of any Fund;
- 11.7.2 the methods used in relation to 11.7.1 above; and
- 11.7.3 any recent development of the risk and yields of the main categories of investment.

## 11.8 Indemnity

The Instrument of Incorporation contains provisions indemnifying the Directors, other officers and the Company's auditors against liability in certain circumstances otherwise than in respect of their negligence, default, breach of duty or breach of trust, and indemnifying the Depositary against liability in certain circumstances otherwise than in respect of its failure to exercise due care and diligence.

## 11.9 Notices

Notice and other documentation in relation to the Funds will be sent to a Shareholder's registered address or by an electronic medium consistent with the ACD's or Depositary's knowledge of how the Shareholder wishes or expects to receive the notice or document, provided the method chosen allows the recipient to know or record the time of receipt and is reasonable in the context.

## 11.10 Genuine diversity of ownership

Shares in the Funds are and will continue to be widely available. The intended categories of investors are retail investors (who should seek independent financial advice before investing in a Fund) and institutional investors. Different Share Classes of a Fund are issued to different types of investors.

Shares in the Funds are and will continue to be marketed and made available sufficiently widely to reach the intended categories of investors for each Share Class, and in a manner appropriate to attract those categories of investors.

## 11.11 Provisions to facilitate any future election for tax-elected fund status

The Funds may not have a United Kingdom property business or an overseas property business (as defined for regulation 69Z46 of the Authorised Investment Funds (Tax) Regulations 2006).

## 11.12 Strategy for the exercise of voting rights

The ACD has a strategy for determining when and how voting rights attached to ownership of Scheme Property are to be exercised for the benefit of each Fund. A summary of this strategy is available from the ACD as are details of the actions taken on the basis of this strategy in relation to each Fund.

## 11.13 Best Execution

The ACD is required to ensure Shareholders' best interests are served when placing dealing instructions with securities dealings firms. The ACD monitors the quality of the execution arrangements they maintain with the brokers they use and promptly make any changes where they identify a need to do so. Further details relating to the ACD's internal policy are available by contacting the ACD.

## 11.14 Inducements

The Investment Manager and/or Sub-Investment Managers may effect transactions through brokers whereby the broker agrees to use a proportion of the commission earned on such transactions to discharge the broker's own costs or the costs of third parties in providing research and other eligible goods and services to the Investment Manager and/or Sub-Investment Managers. The services which can be paid for under such arrangements are those permitted under the rules of the Financial Conduct Authority namely those that relate to the



execution of transactions on behalf of customers or the provision of investment research to the Investment Manager and/or Sub-Investment Managers.

The ACD's policy in relation these "Commission Sharing Arrangements" is available on request.

## APPENDIX I

### FUND DETAILS

<b>Name</b>	<b>Henderson Institutional Asia Pacific ex Japan Enhanced Equity Fund</b>
<b>Type of Fund</b>	UCITS scheme which complies with COLL 5
<b>Investment objective and policy</b>	<p>The Fund aims to provide consistent capital growth relative to the FTSE World Asia Pacific ex Japan Index (or such other index as may from time to time replace it) through investing primarily in Asia Pacific ex Japan companies. There are no restrictions on the size of the companies in which the Fund may invest.</p> <p>The Fund aims to provide an annual return above that of the FTSE World Asia Pacific ex Japan Index, whilst controlling risk. The Fund will invest primarily in Asia Pacific ex Japan companies included within the FTSE World Asia Pacific ex Japan Index. Additionally, the Fund can invest in companies listed on other exchanges which are associated with FTSE World Asia Pacific ex Japan Index listed shares or other Asia Pacific ex Japan companies.</p> <p>The Fund will not attempt to replicate identically the share composition of the FTSE World Asia Pacific ex Japan Index, and the fund manager will actively review the shares within the portfolio, and effect adjustments as necessary in order to achieve the investment objective.</p> <p>The Fund may invest the property in transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.</p>
<b>Valuation Point</b>	12.00 noon on each Dealing Day
<b>Dealing cut off point</b>	12.00 noon on each Dealing Day
<b>First Dealing Day</b>	1 December 2005
<b>Share classes and type of Shares</b>	Class I Accumulation Shares Class S Accumulation Shares Class Y Accumulation Shares Class Z Accumulation Shares Class Z Income Shares

	<b>I Shares</b>	<b>S Shares**</b>	<b>Y Shares**</b>	<b>Z Shares**</b>
<b>Initial charge</b>	Nil	Nil	Nil	Nil
<b>Redemption charge</b>	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Nil	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days
<b>Annual ACD fee</b>	0.75%	0.25%	0.75%	Nil
<b>Annual ACD fee taken from</b>	Income	Income	Income	Income
<b>General Administration Charge</b>	0.02%	Share class not currently in issue	0.02%	0.02%

	<b>I Shares</b>	<b>S Shares**</b>	<b>Y Shares**</b>	<b>Z Shares**</b>
<b>Investment minima</b>				
Lump sum	£500,000	£10,000,000	£10,000,000	£10,000,000
Holding	£500,000	£10,000,000	£10,000,000	£10,000,000
Top-up	£10,000	£1,000,000	£1,000,000	£1,000,000
Redemption	£10,000	£1,000,000	£1,000,000	£1,000,000

**The new investment minima will not apply to any existing accounts but will apply to any new investment by existing Shareholders.**

**Past Performance:** See Appendix VI

\*\* The ACD may agree an extra fee with investors which is not payable out of the Fund (See the section headed "Fees for holders of Class S Shares, Class Y Shares and Class Z Shares").

<b>Name</b>	<b>Henderson Credit Alpha Fund</b>
<b>Type of Fund</b>	UCITS scheme which complies with COLL 5
<b>Investment objective</b>	<p>The Fund aims to generate positive returns.</p> <p>The Fund aims to typically deliver absolute (more than zero) returns over a rolling 12 month period. An absolute return performance is not guaranteed over this specific, or any other, time period and consequently capital is in fact at risk.</p>
<b>Investment policy</b>	<p>The Fund will seek to achieve its investment objective by taking directional, relative value, structural and tactical positions in corporate bonds, asset backed securities, preference shares, equities, secured loans credit default swaps, as well as other permitted derivative instruments.</p> <p>The Fund may also invest the property in transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.</p>
<b>Valuation Point</b>	12.00 noon on each Dealing Day
<b>Dealing cut-off point</b>	12.00 noon on each Dealing Day
<b>First Dealing Day</b>	2 July 2007
<b>Share classes and type of Shares</b>	<p>Class A Accumulation Shares (Net)</p> <p>Class A Accumulation Shares (Gross)</p> <p>Class A USD (hedged) Accumulation Shares</p> <p>Class A Euro (hedged) Accumulation Shares</p> <p>Class G Accumulation Shares (Net)</p> <p>Class G Accumulation Shares (Gross)</p> <p>Class G Euro (hedged) Accumulation Shares</p> <p>Class G USD (hedged) Accumulation Shares</p> <p>Class I Accumulation Shares (Net)</p> <p>Class I Accumulation Shares (Gross)</p> <p>Class I USD (hedged) Accumulation Shares</p> <p>Class I Euro (hedged) Accumulation Shares</p> <p>Class S Accumulation Shares (Net)</p> <p>Class S Accumulation Shares (Gross)</p> <p>Class Y Accumulation Shares (Net)</p> <p>Class Y Accumulation Shares (Gross)</p> <p>Class Y USD (hedged) Accumulation Shares</p> <p>Class Y Euro (hedged) Accumulation Shares</p> <p>Class Z Accumulation Shares (Net)</p> <p>Class Z Accumulation Shares (Gross)</p> <p>Class Z Income Shares (Net)</p>

Class Z Income Shares (Gross)

	<b>A Shares (including Sterling, Euro &amp; USD)</b>	<b>I Shares (including Sterling, Euro &amp; USD)</b>	<b>S Shares**</b>	<b>Y Shares** (including Sterling, Euro &amp; USD)</b>	<b>Z Shares **</b>
<b>Initial charge</b>	5.00 %	2.00%	Nil	2.00%	Nil
<b>Redemption charge</b>	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Nil	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days
<b>Annual ACD fee</b>	1.50%	1.00%	0.25%	1.00%	Nil
<b>Annual ACD fee taken from</b>	Income	Income	Income	Income	Income
<b>Performance Fee</b>	20%	Nil	Nil	20%	Nil
<b>General Administration Charge</b>	0.14%	0.045%	Share class not currently in issue	0.045%	0.023%
	<b>G Shares (including Sterling, Euro &amp; USD)</b>				
<b>Initial charge</b>	Nil				
<b>Redemption charge</b>	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days				
<b>Annual ACD fee</b>	0.675%				
<b>Annual ACD fee taken from</b>	Income				
<b>Performance Fee</b>	20%				
<b>General Administration Charge</b>	0.045%				

Investment minima	A Shares (Sterling)	I Shares (Sterling)	S Shares**	Y Shares** (Sterling)	Z Shares** (Sterling)
	Lump sum	£1,000	£100,000,000	£10,000,000	£10,000,000
Holding	£1,000	£50,000	£10,000,000	£10,000,000	£10,000,000
Top-up	£100	£10,000	£1,000,000	£1,000,000	£1,000,000
Redemption	£100	£10,000	£1,000,000	£1,000,000	£1,000,000

  

	A Shares USD (hedged)	A Shares Euro (hedged)	I Shares USD (hedged)	I Shares Euro (hedged)
Lump sum	\$1,500	€1,500	\$100,000,000	€100,000,000
Holding	\$1,500	€1,500	\$75,000	€75,000
Top-up	\$750	€750	\$37,000	€37,000
Redemption	\$750	€750	\$37,000	€37,000

  

	Y Shares USD (hedged)	Y Shares Euro (hedged)	G Shares (Sterling)	G Shares Euro (hedged)
Lump sum	\$15,000,000	€15,000,000	£20,000,000	€20,000,000
Holding	\$15,000,000	€15,000,000	£20,000,000	€20,000,000
Top-up	\$1,500,000	€1,500,000	£2,000,000	€2,000,000
Redemption	\$1,500,000	€1,500,000	£2,000,000	€2,000,000

  

	G Shares USD (hedged)
Lump sum	\$20,000,000
Holding	\$20,000,000
Top-up	\$2,000,000
Redemption	\$2,000,000

**The new investment minima will not apply to any existing accounts but will apply to any new investment by existing Shareholders.**

**Further details in relation to the eligibility conditions associated with investments in Class G Shares can be found in section 2.3.**

**Past Performance:** See Appendix VI

\*\* The ACD may agree an extra fee with investors which is not payable out of the Fund (See the section headed "Fees for holders of Class S Shares, Class Y Shares and Class Z Shares").

<b>Name</b>	<b>Henderson Institutional Emerging Market Debt Absolute Return Fund</b>
<b>Type of Fund</b>	UCITS scheme which complies with COLL 5
<b>Investment objective</b>	<p>The Fund aims to generate positive returns</p> <p>By absolute return it is meant that the Fund aims to return not only in excess of its benchmark but above zero in an "absolute" sense over a rolling 12 month period. Investors should however note that there is no guarantee that returns will be in excess of the benchmark or above zero in an "absolute" sense over this specific, or any other, time period and consequently capital is in fact at risk.</p>
<b>Investment policy</b>	<p>The Fund will seek to achieve its investment objective by taking strategic and tactical positions worldwide in government bonds, corporate bonds, secured loans, currencies and related derivatives within emerging markets.</p> <p>The Fund may make use of one or a combination of the following instruments/strategies in the achievement of the Fund's objective: convertible bonds, bond futures, floating rate notes, forward foreign exchange contracts (including non deliverable forwards allowing hedging of currencies with restricted convertibility), fixed interest warrants, interest rate futures, options on bond futures, basket options and OTC swaps including interest rate swaps and credit default swaps.</p>
<b>Valuation Point</b>	12.00 noon on each Dealing Day
<b>Dealing cut off point</b>	12.00 noon on each Dealing Day
<b>First Dealing Day</b>	1 July 2005
<b>Share classes and type of Shares</b>	Class A Accumulation Shares (Net) Class A Accumulation Shares (Gross) Class A USD (hedged) Accumulation Shares† Class A Euro (hedged) Accumulation Shares† Class I Accumulation Shares (Net) Class I Accumulation Shares (Gross) Class I USD (hedged) Accumulation Shares† Class I Euro (hedged) Accumulation Shares† Class S Accumulation Shares (Net) Class S Accumulation Shares (Gross) Class Y Accumulation Shares (Net) Class Y Accumulation Shares (Gross) Class Y USD (hedged) Accumulation Shares† Class Y Euro (hedged) Accumulation Shares† Class Z Accumulation Shares (Net)

Class Z Accumulation Shares (Gross)  
Class Z Income Shares (Net)  
Class Z Income Shares (Gross)

† The USD and Euro (hedged) share classes will be introduced at a date to be notified to Shareholders which is likely to be in Q2 2010.

	<b>A Shares (including Sterling, Euro &amp; USD)</b>	<b>I Shares (including Sterling, Euro &amp; USD)</b>	<b>S Shares**</b>	<b>Y Shares** (including Sterling, Euro &amp; USD)</b>	<b>Z Shares**</b>
<b>Initial charge</b>	4.00 %	Nil	Nil	Nil	Nil
<b>Redemption charge</b>	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Nil	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days
<b>Annual ACD fee</b>	1.50%	1.00	0.25%	1.00%	Nil
<b>Annual ACD fee taken from</b>	Income	Income	Income	Income	Income
<b>General Administration Charge</b>	Share class not currently in issue	0.023%	Share class not currently in issue	Share class not currently in issue	0.023%

  

<b>Investment minima</b>	<b>A Shares (Sterling)</b>	<b>I Shares (Sterling)</b>	<b>S Shares**</b>	<b>Y Shares** (Sterling)</b>	<b>Z Shares** (Sterling)</b>
Lump sum	£1,000	£500,000	£10,000,000	£10,000,000	£10,000,000
Holding	£1,000	£500,000	£10,000,000	£10,000,000	£10,000,000
Top-up	£100	£10,000	£1,000,000	£1,000,000	£1,000,000
Redemption	£100	£10,000	£1,000,000	£1,000,000	£1,000,000

  

	<b>A Shares USD (hedged) †</b>	<b>A Shares Euro (hedged) †</b>	<b>I Shares USD (hedged) †</b>	<b>I Shares Euro (hedged) †</b>
Lump sum	£1,500	€1,500	\$750,000	€750,000
Holding	£1,500	€1,500	\$75,000	€75,000
Top-up	£750	€750	\$37,000	€37,000
Redemption	£750	€750	\$37,000	€37,000

  

	<b>Y Shares USD (hedged) †</b>	<b>Y Shares Euro (hedged) †</b>
Lump sum	\$15,000,000	€15,000,000



Holding	\$15,000,000	€15,000,000
Top-up	\$1,500,000	€1,500,000
Redemption	\$1,500,000	€1,500,000

**The new investment minima will not apply to any existing accounts but will apply to any new investment by existing Shareholders.**

**Past Performance:** See Appendix VI

\*\* The ACD may agree an extra fee with investors which is not payable out of the Fund (See the section headed "Fees for holders of Class S Shares, Class Y Shares and Class Z Shares").

<b>Name</b>	<b>Henderson Institutional European Enhanced Equity Fund</b>
<b>Type of Fund</b>	UCITS scheme which complies with COLL 5
<b>Investment objective and policy</b>	<p>The Fund aims to provide consistent capital growth relative to the FTSE World Europe ex UK Index (or such other index as may from time to time replace it) through investing primarily in European companies. There are no restrictions on the size of the companies in which the Fund may invest.</p> <p>The Fund aims to provide an annual return above that of the FTSE World Europe ex UK Index, whilst controlling risk. The Fund will invest primarily in European companies included within the FTSE World Europe ex UK Index. Additionally, the Fund can invest in companies listed on other exchanges which are associated with FTSE World Europe ex UK Index listed shares or other European companies.</p> <p>The Fund will not attempt to replicate identically the share composition of the FTSE World Europe ex UK Index, and the fund manager will actively review the shares within the portfolio, and effect adjustments as necessary in order to achieve the investment objective.</p> <p>The Fund may invest the property in transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.</p>
<b>Valuation Points</b>	12.00 noon on each Dealing Day
<b>Dealing cut-off point</b>	12.00 noon on each Dealing Day
<b>First Dealing Day</b>	1 December 2005
<b>Share classes and type of Shares</b>	Class I Accumulation Shares Class S Accumulation Shares Class Y Accumulation Shares Class Z Accumulation Shares Class Z Income Shares

	<b>I Shares</b>	<b>S Shares**</b>	<b>Y Shares**</b>	<b>Z Shares **</b>
<b>Initial charge</b>	Nil	Nil	Nil	Nil
<b>Redemption Charge</b>	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Nil	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days
<b>Annual ACD fee</b>	0.75%	0.25%	0.75%	Nil
<b>Annual ACD fee taken from</b>	Income	Income	Income	Income
<b>General Administration Charge</b>	0.02%	Share class not currently in issue	0.02%	0.02%
<b>Investment minima</b>	<b>I Shares</b>	<b>S Shares**</b>	<b>Y Shares**</b>	<b>Z Shares **</b>
Lump sum	£500,000	£10,000,000	£10,000,000	£10,000,000
Holding	£500,000	£10,000,000	£10,000,000	£10,000,000
Top-up	£10,000	£1,000,000	£1,000,000	£1,000,000
Redemption	£10,000	£1,000,000	£1,000,000	£1,000,000

**The new investment minima will not apply to any existing accounts but will apply to any new investment by existing Shareholders.**

**Past Performance:** See Appendix VI

\*\* The ACD may agree an extra fee with investors which is not payable out of the Fund (See the section headed "Fees for holders of Class S Shares, Class Y Shares and Class Z Shares").

<b>Name</b>	<b>Henderson Interest Rate Alpha Fund (Not Yet Launched)</b>				
<b>Type of Fund</b>	UCITS scheme which complies with COLL 5				
<b>Investment objective and policy</b>	<p>The Fund aims to generate positive returns by taking directional, relative value and tactical interest rates positions using primarily interest rate swaps, bond and interest rate futures, bond options, sovereign bonds as well as other permitted derivative instruments.</p> <p>The Fund may also invest the property in transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.</p>				
<b>Valuation Point</b>	12.00 noon on each Dealing Day				
<b>Dealing cut-off point</b>	12.00 noon on each Dealing Day				
<b>First Dealing Day</b>	Not yet launched				
<b>Share classes and type of Shares</b>	Class A Accumulation Shares (Net) Class A Accumulation Shares (Gross) Class I Accumulation Shares (Net) Class I Accumulation Shares (Gross) Class S Accumulation Shares (Net) Class S Accumulation Shares (Gross) Class Y Income Shares (Net) Class Y Income Shares (Gross) Class Z Accumulation Shares (Net) Class Z Accumulation Shares (Gross) Class Z Income Shares (Net) Class Z Income Shares (Gross)				
	<b>A Shares</b>	<b>I Shares</b>	<b>S Shares**</b>	<b>Y Shares**</b>	<b>Z Shares**</b>
<b>Initial charge</b>	5%	Nil	Nil	Nil	Nil
<b>Redemption Charge</b>	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Nil	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days
<b>Annual ACD fee</b>	2.50%	1.70%	0.25%	2.50%	Nil

<b>Annual ACD fee taken from General Administration Charge</b>	Income	Income	Income	Income	Income
	Share class not currently in issue	Share class not currently in issue	Share class not currently in issue	Share class not currently in issue	Share class not currently in issue
<b>Investment minima</b>	<b>A Shares</b>	<b>I Shares</b>	<b>S Shares**</b>	<b>Y Shares**</b>	<b>Z Shares **</b>
Lump sum	£1,000	£500,000	£10,000,000	£10,000,000	£10,000,000
Holding	£1,000	£500,000	£10,000,000	£10,000,000	£10,000,000
Top-up	£100	£10,000	£1,000,000	£1,000,000	£1,000,000
Redemption	£100	£10,000	£1,000,000	£1,000,000	£1,000,000

**The new investment minima will not apply to any existing accounts but will apply to any new investment by existing Shareholders.**

**Past Performance:** See Appendix VI

\*\* The ACD may agree an extra fee with investors which is not payable out of the Fund (See the section headed "Fees for holders of Class S Shares, Class Y Shares and Class Z Shares").

<b>Name</b>	<b>Henderson Institutional Japan Enhanced Equity Fund</b>
<b>Type of Fund</b>	UCITS scheme which complies with COLL 5
<b>Investment objective and policy</b>	<p>The Fund aims to provide consistent capital growth relative to the FTSE World Japan Index (or such other index as may from time to time replace it) through investing primarily in Japanese companies. There are no restrictions on the size of the companies in which the Fund may invest.</p> <p>The Fund aims to provide an annual return above that of the FTSE World Japan Index, whilst controlling risk. The Fund will invest primarily in Japanese companies included within the FTSE World Japan Index. Additionally, the Fund can invest in companies listed on other exchanges which are associated with FTSE World Japan Index listed shares or other Japanese companies.</p> <p>The Fund will not attempt to replicate identically the share composition of the FTSE World Japan Index, and the fund manager will actively review the shares within the portfolio, and effect adjustments as necessary in order to achieve the investment objective.</p> <p>The Fund may invest the property in transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.</p>
<b>Valuation Points</b>	12.00 noon on each Dealing Day
<b>Dealing cut off point</b>	12.00 noon on each Dealing Day
<b>First Dealing Day</b>	1 December 2005
<b>Share classes and type of Shares</b>	Class A Accumulation Shares Class I Accumulation Shares Class C Accumulation Shares Class S Accumulation Shares Class Y Accumulation Shares Class Z Accumulation Shares Class Z Income Shares

	<b>A Shares</b>	<b>I Shares</b>	<b>S Shares**</b>	<b>Y Shares**</b>	<b>Z Shares**</b>	<b>C Shares</b>
<b>Initial charge</b>	5.00%	Nil	Nil	Nil	Nil	5.00%
<b>Redemption Charge</b>	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Nil	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days
<b>Annual ACD fee</b>	1.50%	0.75%	0.25%	0.75%	Nil	0.50%
<b>Annual ACD fee taken from</b>	Income	Income	Income	Income	Income	Income
<b>General Administration Charge</b>	0.18%	0.02%	Share class not currently in issue	0.02%	0.02%	0.045%
<b>Investment minima</b>	<b>A Shares</b>	<b>I Shares</b>	<b>S Shares**</b>	<b>Y Shares**</b>	<b>Z Shares**</b>	<b>C Acc</b>
Lump sum	£1,000	£500,000	£10,000,000	£10,000,000	£10,000,000	£50,000,000
Holding	£1,000	£500,000	£10,000,000	£10,000,000	£10,000,000	£50,000,000
Top-up	£100	£10,000	£1,000,000	£1,000,000	£1,000,000	£250
Redemption	£100	£10,000	£1,000,000	£1,000,000	£1,000,000	£250
Monthly saving	£100	n/a	n/a	n/a	n/a	n/a

**The new investment minima will not apply to any existing accounts but will apply to any new investment by existing Shareholders.**

**Past Performance:** See Appendix VI

\*\* The ACD may agree an extra fee with investors which is not payable out of the Fund (See the section headed "Fees for holders of Class S Shares, Class Y Shares and Class Z Shares" ).

<b>Name</b>	<b>Henderson Institutional North American Enhanced Equity Fund</b>
<b>Type of Fund</b>	UCITS scheme which complies with COLL 5
<b>Investment objective and policy</b>	<p>The Fund aims to provide consistent capital growth relative to the FTSE World North America Index (or such other index as may from time to time replace it) through investing primarily in North American companies. There are no restrictions on the size of the companies in which the Fund may invest.</p> <p>The Fund aims to provide an annual return above that of the FTSE World North America Index, whilst controlling risk. The Fund will invest primarily in North American companies included within the FTSE World North America Index. Additionally, the Fund can invest in companies listed on other exchanges which are associated with FTSE World North America Index listed shares or other North American companies.</p> <p>The Fund will not attempt to replicate identically the share composition of the FTSE World North America Index, and the fund manager will actively review the shares within the portfolio, and effect adjustments as necessary in order to achieve the investment objective.</p> <p>The Fund may invest the property in transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.</p>
<b>Valuation Points</b>	12 noon on each Dealing Day
<b>Dealing cut-off point</b>	12 noon on each Dealing Day
<b>First Dealing Day</b>	24 February 2006
<b>Share classes and type of Shares</b>	Class A Accumulation Shares Class I Accumulation Shares Class S Accumulation Shares Class Y Accumulation Shares Class Z Accumulation Shares Class Z Income Shares



	<b>A Shares</b>	<b>I Shares</b>	<b>S Shares**</b>	<b>Y Shares**</b>	<b>Z Shares**</b>
<b>Initial charge</b>	5%	Nil	Nil	Nil	Nil
<b>Redemption charge</b>	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Nil	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days
<b>Annual ACD fee</b>	1.5%	0.75%	0.25%	0.75%	Nil
<b>Annual ACD fee taken from</b>	Income	Income	Income	Income	Income
<b>General Administration Charge</b>	0.18%	0.02%	Share class not currently in issue	0.02%	0.02%
<b>Investment minima</b>	<b>A Shares</b>	<b>I Shares</b>	<b>S Shares**</b>	<b>Y Shares**</b>	<b>Z Shares**</b>
Lump sum	£5,000	£500,000	£10,000,000	£10,000,000	£10,000,000
Holding	£5,000	£500,000	£10,000,000	£10,000,000	£10,000,000
Top-up	£100	£10,000	£1,000,000	£1,000,000	£1,000,000
Redemption	£100	£10,000	£1,000,000	£1,000,000	£1,000,000
Monthly saving	£100	n/a	n/a	n/a	n/a

**The new investment minima will not apply to any existing accounts but will apply to any new investment by existing Shareholders.**

**Past Performance:** See Appendix VI

\*\* The ACD may agree an extra fee with investors which is not payable out of the Fund (See the section headed "Fees for holders of Class S Shares, Class Y Shares and Class Z Shares" ).

**Name** Henderson US Equity Long/Short Fund

**Type of Fund** UCITS scheme which complies with COLL 5

**Investment objective** The Fund aims to generate positive capital returns.

**Investment policy** The Fund will invest primarily in a concentrated portfolio (typically 20-50 holdings) of long and short positions that give exposure to securities listed on US stock exchanges. Exposure may be achieved both through direct physical holdings (typically long positions) and through the use of financial derivatives and forward transactions (typically short positions). The Fund may also invest in other transferable securities not listed on US stock exchanges, money market instruments, derivatives and forward transactions, cash and near cash.

The Fund may also make use of derivatives and forward transactions for the purposes of efficient portfolio management, including the use of hedging techniques and stock lending.

**Valuation Point** 23.59 on each Dealing Day (every Wednesday)

**Dealing cut-off point** 14.00 on each Dealing Day

**First Dealing Day** 4 December 2013

**Share classes and type of Shares** Class Y USD Accumulation Shares  
Class Y Euro (hedged) Accumulation Shares  
Class Y GBP (hedged) Accumulation Shares  
Class Z USD Accumulation Shares  
Class Z Euro (hedged) Accumulation Shares  
Class Z GBP (hedged) Accumulation Shares

	<b>Y Shares (including GBP hedged, Euro hedged &amp; USD)</b>	<b>Z Shares (including GBP hedged, Euro hedged &amp; USD)**</b>
<b>Initial charge</b>	Nil	Nil
<b>Redemption charge</b>	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days	Up to 3% at the discretion of the ACD on subscriptions held for a period of less than 90 days
<b>Annual ACD fee</b>	1.75%	Nil
<b>Annual ACD fee</b>	Income	Income

taken from

<b>Performance Fee</b>	20%	Nil
<b>General Administration Charge</b>	0.045%	0.023%

<b>Investment minima</b>	<b>Y Shares</b>	<b>Y Shares</b>	<b>Y Shares</b>
	<b>GBP (hedged)</b>	<b>Euro (hedged)</b>	<b>USD</b>
Lump sum	£5,000,000	€5,000,000	\$5,000,000
Holding	£5,000,000	€5,000,000	\$5,000,000
Top-up	£50,000	€50,000	\$50,000
Redemption	£50,000	€50,000	\$50,000

  

	<b>Z Shares</b>	<b>Z Shares</b>	<b>Z Shares</b>
	<b>GBP (hedged)</b>	<b>Euro (hedged)</b>	<b>USD</b>
Lump sum	£10,000,000	€15,000,000	\$15,000,000
Holding	£10,000,000	€15,000,000	\$15,000,000
Top-up	£1,000,000	€1,500,000	\$1,500,000
Redemption	£1,000,000	€1,500,000	\$1,500,000

**Past** See Appendix VI

**Performance:**

\*\* The ACD may agree an extra fee with investors which is not payable out of the Fund (See the section headed "Fees for holders of Class S Shares, Class Y Shares and Class Z Shares").

## APPENDIX II

### ELIGIBLE SECURITIES MARKETS AND ELIGIBLE DERIVATIVES MARKETS

All the Funds may deal through securities and derivatives markets established in an EEA State on which transferable securities admitted to official listing in the EEA State are dealt in or traded and therefore these markets are not specifically listed below.

In addition, up to 10 per cent in value of any Fund may be invested in transferable securities which are not approved securities.

Each Fund may also deal through the securities markets and derivatives markets indicated below:

Eligible Securities Markets:	Henderson Institutional Asia Pacific ex Japan Enhanced Equity Fund	Henderson Credit Alpha Fund	Henderson Institutional Emerging Market Debt Absolute Return Fund	Henderson Institutional European Enhanced Equity Fund	Henderson Interest Rate Alpha Fund	Henderson Institutional Japan Enhanced Equity Fund	Henderson Institutional North American Enhanced Equity Fund	Henderson US Equity Long/Short Fund
<b>Australia</b>								
Australian Securities Exchange	✓	✓	✓		✓	✓	✓	
<b>Brazil</b>								
BM & F BOVESPA SA			✓				✓	
<b>Canada</b>								
Montreal Stock Exchange		✓	✓		✓		✓	✓
TSX Venture Exchange		✓	✓		✓		✓	✓
Toronto Stock Exchange		✓	✓		✓		✓	✓
<b>Chile</b>								
Santiago Stock Exchange			✓					
<b>China (SAR)</b>								
China Shanghai (USD)	✓		✓					
China Shenzhen (HKD)	✓		✓					
<b>Egypt</b>								
Egyptian Stock Exchange			✓					
<b>Hong Kong</b>								
The Hong Kong Stock Exchange	✓					✓	✓	
The Hong Kong GEM	✓							
<b>India</b>								
The Bombay Stock Exchange	✓							
The Calcutta Stock Exchange	✓							
The Stock Exchange, Mumbai	✓		✓					

Eligible Securities Markets:	Henderson Institutional Asia Pacific ex Japan Enhanced Equity Fund	Henderson Credit Alpha Fund	Henderson Institutional Emerging Market Debt Absolute Return Fund	Henderson Institutional European Enhanced Equity Fund	Henderson Interest Rate Alpha Fund	Henderson Institutional Japan Enhanced Equity Fund	Henderson Institutional North American Enhanced Equity Fund	Henderson US Equity Long/Short Fund
National Stock Exchange	✓		✓					
<b>Indonesia</b>								
Indonesia Stock Exchange	✓		✓					
Jakarta Stock Exchange								
Surabaya Stock Exchange								
<b>Israel</b>								
Tel Aviv Stock Exchange			✓	✓				
<b>Japan</b>								
Nagoya Stock Exchange		✓	✓		✓	✓		
Kyoto Securities Exchange		✓	✓		✓	✓		
Sapporo Stock Exchange		✓	✓		✓	✓		
JASDAQ Securities Exchange		✓	✓		✓	✓		
Tokyo Stock Exchange		✓	✓		✓	✓		
Osaka Securities Exchange						✓		
<b>Malaysia</b>								
Bursa Malaysia	✓		✓					
<b>Mexico</b>								
Bolsa Mexicana de Valores		✓	✓		✓		✓	
<b>New Zealand</b>								
New Zealand Stock Exchange	✓				✓			
<b>Peru</b>								
Lima Stock Exchange			✓					
<b>Philippines</b>								
Philippines Stock Exchange	✓		✓					
<b>Romania</b>								
Bucharest Stock Exchange			✓					
<b>Singapore</b>								
SGX Singapore Exchange	✓	✓	✓			✓		
<b>South Africa</b>								

Eligible Securities Markets:	Henderson Institutional Asia Pacific ex Japan Enhanced Equity Fund	Henderson Credit Alpha Fund	Henderson Institutional Emerging Market Debt Absolute Return Fund	Henderson Institutional European Enhanced Equity Fund	Henderson Interest Rate Alpha Fund	Henderson Institutional Japan Enhanced Equity Fund	Henderson Institutional North American Enhanced Equity Fund	Henderson US Equity Long/Short Fund
JSE, Johannesburg Stock Exchange			✓					
<b>South Korea</b>								
Korea Exchange Incorporated	✓		✓			✓		
<b>Switzerland</b>								
SWX Swiss Exchange		✓	✓	✓	✓		✓	
<b>Taiwan</b>								
Taiwan Stock Exchange	✓		✓					
Gre Tai Securities Market	✓							
<b>Thailand</b>								
The Stock Exchange of Thailand	✓		✓					
<b>Turkey</b>								
Istanbul Stock Exchange		✓	✓	✓	✓			
<b>United States</b>								
NYSE MKT LLC		✓	✓		✓		✓	✓
Boston Stock Exchange		✓	✓		✓		✓	✓
Chicago Stock Exchange		✓	✓		✓		✓	✓
NASDAQ	✓	✓	✓	✓	✓	✓	✓	✓
National Stock Exchange		✓	✓		✓		✓	✓
New York Stock Exchange	✓	✓	✓	✓	✓	✓	✓	✓
OTC Bulletin Board (operated by NASDAQ)		✓	✓		✓		✓	✓
The OTC market in US Government securities conducted by primary dealers selected by the Federal Reserve Bank of New York		✓	✓		✓			✓
NYSE Arca		✓	✓		✓		✓	✓
NASDAQ OMX PHLX		✓	✓		✓		✓	✓

Eligible Derivatives Markets:	Henderson Institutional Asia Pacific ex Japan Enhanced Equity Fund	Henderson Credit Alpha Fund	Henderson Institutional Emerging Market Debt Absolute Return Fund	Henderson Institutional European Enhanced Equity Fund	Henderson Interest Rate Alpha	Henderson Institutional Japan Enhanced Equity Fund	Henderson Institutional North American Enhanced Equity Fund	Henderson US Equity Long/Short Fund
<b>Australia</b>								
ASX Ltd	✓	✓	✓		✓	✓		
Sydney Futures Exchange						✓	✓	
<b>Canada</b>								
Montreal Stock Exchange		✓	✓		✓		✓	✓
<b>Hong Kong</b>								
Hong Kong Exchanges (HKEx)	✓		✓		✓	✓		
<b>India</b>								
National Stock Exchange	✓		✓					
The Stock Exchange, Mumbai	✓		✓					
<b>Japan</b>								
Tokyo Stock Exchange (TSE)		✓	✓	✓	✓	✓	✓	
Osaka Securities Exchange		✓	✓		✓	✓		
<b>Malaysia</b>								
Bursa Malaysia Derivatives	✓		✓		✓			
<b>Singapore</b>								
Singapore Exchange	✓	✓	✓		✓			
<b>South Korea</b>								
Korean Exchange Incorporated	✓		✓		✓	✓		
<b>Taiwan</b>								
Taiwan Futures Exchange	✓							
<b>Thailand</b>								
Thailand Futures Exchange	✓							
<b>Turkey</b>								
The Turkish Derivatives Exchange				✓				
<b>United States</b>								
American Stock Exchange		✓	✓	✓	✓		✓	✓
CME Group Inc		✓	✓	✓	✓	✓	✓	✓
Chicago Board Options		✓	✓	✓	✓		✓	✓
Chicago Board of Trade								✓

Philadelphia Stock Exchange		✓	✓	✓	✓		✓	✓
New York Futures		✓	✓	✓	✓		✓	✓

### APPENDIX III

## INVESTMENT MANAGEMENT AND BORROWING POWERS OF THE COMPANY

### Investment restrictions

References to specific terms not defined in “Definitions” in Section 1 refer to the definitions in the Glossary to the FCA Handbook.

#### 1. General

- 1.1 The property of each Fund will be invested with the aim of achieving the investment objective of that Fund but subject to the limits set out in Chapter 5 of the COLL Sourcebook. These limits apply to each Fund as summarised below.
- 1.2 The ACD must ensure that, taking account of the investment objectives and policy of the Fund, the property of each Fund aims to provide a prudent spread of risk.
- 1.3 The property of a Fund must, except where otherwise provided in COLL 5, only consist of any or all of:
  - 1.3.1 transferable securities;
  - 1.3.2 approved money market instruments;
  - 1.3.3 permitted derivatives and forward transactions;
  - 1.3.4 permitted deposits; and
  - 1.3.5 permitted units in collective investment schemes
- 1.4 Transferable securities and approved money market instruments held within a Fund must be admitted to or dealt in on an eligible market as described in 2.3 and 2.4 below or for an approved money market instrument not admitted or dealt in on an eligible market, within 4.7 below, or be recently issued transferable securities provided that the terms of issue include an undertaking that application be made to be admitted to an eligible market and such admission is secured within a year of issue.



1.5 Not more than 10 per cent in value of the property of a Fund is to consist of transferable securities and approved money market instruments, which do not fall within paragraph 1.4.

1.6 The requirements on spread and investment in government and public securities do not apply until the expiry of a period of six months after the date of effect of the authorisation order in respect of the Fund (or on which the initial offer commenced if later) provided that the requirement to maintain prudent spread of risk is complied with.

1.7 It is not intended that any Fund will have an interest in any immovable property or tangible moveable property.

## 2. **Eligible markets regime: purpose**

2.1 To protect investors the markets on which investments of a Fund are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.

2.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10 per cent restriction on investing in non approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.

2.3 A securities or derivative market is eligible for the purposes of the rules if it is a regulated market, or a market in an EEA State which is regulated, operates regularly and is open to the public.

2.4 A securities or derivative market not falling within the above definition is eligible if the ACD, after consultation and notification with the Depositary, decides that market is appropriate for the investment of, or dealing in, the property, the market is included in a list in the prospectus, and the Depositary has taken reasonable care to determine that adequate custody arrangements can be provided for the investment dealt in on that market, and all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

2.5 A market must not be considered appropriate unless it is regulated, operates regularly, is recognised, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.

## 3. **Transferable Securities**

3.1 A Fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:

- 3.1.1 the potential loss which the Fund may incur with respect to holding the transferable security is limited to the amount paid for it;
  - 3.1.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder under the FCA Handbook;
  - 3.1.3 reliable valuation is available for it as follows:
    - 3.1.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
    - 3.1.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
  - 3.1.4 appropriate information is available for it as follows:
    - 3.1.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;
    - 3.1.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;
  - 3.1.5 it is negotiable; and
  - 3.1.6 its risks are adequately captured by the risk management process of the ACD.
- 3.2 Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:
- 3.2.1 not to compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder; and

- 3.2.2 to be negotiable.
- 3.3 A unit or share in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Fund, provided it fulfils the criteria for transferable securities set out in paragraph 3.1 above and either:
  - 3.3.1 where the closed end fund is constituted as an investment company or a unit trust:
    - 3.3.1.1 it is subject to corporate governance mechanisms applied to companies; and
    - 3.3.1.2 where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
  - 3.3.2 where the closed end fund is constituted under the law of contract:
    - 3.3.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and
    - 3.3.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.
- 3.4 No more than 5 per cent of any Fund will be invested in warrants
- 3.5 A Fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by a Fund provided the investment:
  - 3.5.1 fulfils the criteria for transferable securities set out in 3.1 above; and
  - 3.5.2 is backed by or linked to the performance of other assets, which may differ from those in which a Fund can invest.
- 3.6 Where an investment in 3.5 contains an embedded derivative component (as described in 10 below, the requirements of this Section with respect to derivatives and forwards will apply to that component.
- 4. **Approved Money-Market Instruments**
  - 4.1 An approved money-market instrument is a money-market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.
  - 4.2 A money-market instrument shall be regarded as normally dealt in on the money market if it:

- 4.2.1 has a maturity at issuance of up to and including 397 days;
  - 4.2.2 has a residual maturity of up to and including 397 days;
  - 4.2.3 undergoes regular yield adjustments in line with money market conditions at least every 397 days; or
  - 4.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 4.2.1 or 4.2.2 or is subject to yield adjustments as set out in 4.2.3.
- 4.3 A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem Shares at the request of any qualifying Shareholder.
- 4.4 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:
- 4.4.1 enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the Fund could be exchanged between knowledgeable willing parties in an arm's length transaction; and
  - 4.4.2 based either on market data or on valuation models including systems based on amortised costs.
- 4.5 A money-market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.
- 4.6 In addition to instruments admitted to or dealt in on an eligible market, a Fund may invest in an approved money-market instrument provided it fulfils the following requirements:
- 4.6.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and
  - 4.6.2 the instrument is issued or guaranteed in accordance with paragraph 4.8 and 4.9 below.
- 4.7 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:
- 4.7.1 the instrument is an approved money-market instrument;

- 4.7.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraphs 4.10, 4.11 and 4.12 and below; and
  - 4.7.3 the instrument is freely transferable.
- 4.8 A Fund may invest in an approved money-market instrument if it is:
- 4.8.1 issued or guaranteed by any one of the following:
    - 4.8.1.1 a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;
    - 4.8.1.2 a regional or local authority of an EEA State;
    - 4.8.1.3 the European Central Bank or a central bank of an EEA State;
    - 4.8.1.4 the European Union or the European Investment Bank;
    - 4.8.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;
    - 4.8.1.6 a public international body to which one or more EEA States belong; or
  - 4.8.2 issued by a body, any securities of which are dealt in on an eligible market; or
  - 4.8.3 issued or guaranteed by an establishment which is:
    - 4.8.3.1 subject to prudential supervision in accordance with criteria defined by European Community law; or
    - 4.8.3.2 subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by European Community law.
- 4.9 An establishment shall be considered to satisfy the requirement in 4.8.3.1 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:
- 4.9.1 it is located in the European Economic Area;
  - 4.9.2 it is located in an OECD country belonging to the Group of Ten;

- 4.9.3 it has at least investment grade rating;
  - 4.9.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by European Community law.
- 4.10 In the case of an approved money-market instrument within 4.8 and 4.9 above or issued by a body of the type referred to in COLL 5.2.10EG, or which is issued by an authority within 4.8.1.2 or a public international body within 4.8.1.6 but is not guaranteed by a central authority within 4.8.1.1, the following information must be available:
- 4.10.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
  - 4.10.2 updates of that information on a regular basis and whenever a significant event occurs; and
  - 4.10.3 available and reliable statistics on the issue or the issuance programme.
- 4.11 In the case of an approved money-market instrument issued or guaranteed by an establishment within 4.8.3, the following information must be available:
- 4.11.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;
  - 4.11.2 updates of that information on a regular basis and whenever a significant event occurs; and
  - 4.11.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.
- 4.12 In the case of an approved money-market instrument:
- (a) within 4.8.1.1, 4.8.1.4 or 4.8.1.5; or
  - (b) which is issued by an authority within 4.8.1.2 or a public international body within 4.8.1.6 and is guaranteed by a central authority within 4.8.1.1;
- information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.

5. **Spread: general**

- 5.1 Separate rules on spread apply to government and public securities (see below).
- 5.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.
- 5.3 Not more than 20 per cent in value of the property is to consist of deposits with a single body.
- 5.4 Not more than 5 per cent in value of the property is to consist of transferable securities or approved money market instruments issued by any single body, except that the limit of 5 per cent is raised to 10 per cent in respect of up to 40 per cent in value of the property. Covered bonds need not be taken into account for the purposes of applying the limit of 40 per cent. For these purposes certificates representing certain securities are treated as equivalent to the underlying security.
- 5.5 The limit of 5 per cent in 5.4 is raised to 25 per cent in value of the property in respect of covered bonds, provided that when a Fund invests more than 5 per cent in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80 per cent in value of the property
- 5.6 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5 per cent in value of the property. This limit is raised to 10 per cent where the counterparty is an Approved Bank.
- 5.7 Not more than 20 per cent in value of the scheme is to consist of transferable securities and approved money market instruments issued by the same group.
- 5.8 Not more than 20 per cent in value of the scheme is to consist of the units of any one collective investment scheme. No more than 10 per cent of any Fund will be invested in collective investment schemes.
- 5.9 In applying the limits in 5.3, 5.4 and 5.6, not more than 20 per cent in value of the property is to consist of any combination of two or more of the following:
- 5.9.1 transferable securities (including covered bonds) or approved money market instruments issued by; or
  - 5.9.2 deposits made with; or
  - 5.9.3 exposures from OTC derivatives transactions made with;
- a single body.

## **6. Counterparty risk and issuer concentration**

- 6.1 The ACD must ensure that counterparty risk arising from an OTC derivative is subject to the limits set out in paragraphs 5.6 and 5.9 above.
- 6.2 When calculating the exposure of a Fund to a counterparty in accordance with the limits in paragraph 5.6 the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.
- 6.3 The ACD may net the OTC derivative positions of a Fund with the same counterparty, provided they are able legally to enforce netting agreements with the counterparty on behalf of the Fund.
- 6.4 The netting agreements in paragraph 6.3 above are permissible only with respect to OTC derivatives with the same counterparty and not in relation to any other exposures the Fund may have with that same counterparty.
- 6.5 The ACD may reduce the exposure of scheme property to a counterparty of an OTC derivative through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.
- 6.6 The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 5.6 when it passes collateral to an OTC counterparty on behalf of a Fund.
- 6.7 Collateral passed in accordance with paragraph 6.6 may be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of that Fund.
- 6.8 In relation to the exposure arising from OTC derivatives as referred to in paragraph 5.6 the ACD must include any exposure to OTC derivative counterparty risk in the calculation.
- 6.9 The ACD must calculate the issuer concentration limits referred to in paragraph 5.6 on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach.

## **7. Spread: Government and Public Securities**

- 7.1 Where no more than 35 per cent in value of the property is invested in government and public securities ("such securities") issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.



7.2 The Henderson Emerging Market Debt Absolute Return Fund and Henderson Credit Alpha Fund may invest more than 35 per cent in government and public securities issued by any one body provided that:

7.2.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issue of such securities is one which is appropriate in accordance with the investment objectives of the authorised fund;

7.2.2 no more than 30 per cent in value of the scheme property consists of such securities of any one issue;

7.2.3 the scheme property includes such securities issued by that or another issuer of at least six different issues;

7.2.4 the disclosures required by the FCA have been made including the names of the individual states of the local authorities or public international bodies issuing such securities in which a Fund may invest over 35 per cent of its assets which are accordingly set out in 7.3 and 7.4 below.

7.3 The Henderson Emerging Market Debt Absolute Return Fund may invest up to 100 per cent of its property in Government and public securities. Furthermore, the Henderson Emerging Market Debt Absolute Return Fund may invest more than 35 per cent of its property in government and public securities issued by or on behalf of the following governments:

The Republic of Austria, Australia, Belgium, Brazil, Canada, China, the Republic of Cyprus, Czech Republic, the Kingdom of Denmark, the Republic of Estonia, the French Republic, the Republic of Finland, the Federal Republic of Germany, the Hellenic Republic, the Republic of Hungary, the Republic of Iceland, Indonesia, Ireland, Israel, the Italian Republic, Japan, the Republic of Latvia, the Principality of Liechtenstein, the Republic of Lithuania the Grand Duchy of Luxembourg, Malaysia, the Republic of Malta, Mexico, the Kingdom of the Netherlands, the Kingdom of Norway, New Zealand, Philippines, the Republic of Poland, the Portuguese Republic, Singapore, the Slovak Republic, the Republic of Slovenia, South Africa, South Korea, the Kingdom of Spain, the Kingdom of Sweden, Switzerland, Taiwan, Thailand, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States.

7.4 Henderson Credit Alpha Fund may invest up to 100 per cent of its property in government and public securities issued by or on behalf of the government of the United States.

## 8. Investment in collective investment schemes

8.1 A Fund may invest in units in a collective investment scheme only if the second scheme complies with the following requirements, and provided that no more than 30 per cent of the value of the Fund is in collective investment schemes within paragraphs 8.1.1.2 - 8.1.1.5:

8.1.1 The second scheme:

8.1.1.1 complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive;

8.1.1.2 or is recognised under the provisions of section 270 of the Financial Services and Markets Act 2000 (Schemes authorised in designated countries or territories);

8.1.1.3 or is authorised as a non-UCITS retail scheme (provided the requirements of article 50(1)(e) of the UCITS Directive are met);

8.1.1.4 or is authorised in another EEA State (provided the requirements of article 50(1)(e) of the UCITS Directive are met);

8.1.1.5 be authorised by the competent authority of an OECD member country (other than another EEA State) which has:

(i) signed the IOSCO Multilateral Memorandum of Understanding; and

(ii) approved the scheme's management company, rules and depositary/custody arrangements,

(provided the requirements of article 50(1)(e) of the UCITS Directive are met).

8.1.2 the second scheme must comply where relevant with paragraphs 8.2 and 8.3 below;

8.1.3 the second scheme must have terms which prohibit more than 10 per cent in value of the property consisting of units in collective investment schemes; and

8.1.4 for the purposes of paragraphs 8.1.2 and 8.1.3 each sub-fund of an umbrella scheme is to be treated as if it were a separate scheme but no sub-fund of an umbrella scheme may invest in another sub-fund of that umbrella scheme.

- 8.1.5 The scheme property attributable to a Fund may include shares in another Fund of the Company (the "second fund") subject to the requirements of 8.1.6 below.
- 8.1.6 A Fund may invest in or dispose of Shares of a second fund provided that:
- 8.1.6.1 the second fund does not hold Shares in any other Fund;
  - 8.1.6.2 the requirements set out at paragraph 8.2 and 8.3 below are complied with; and
  - 8.1.6.3 not more than 35% in value of the scheme property of the investing or disposing Fund is to consist of Shares in the second fund.
- 8.2 Investment may only be made in a second fund or other collective investment schemes managed by the ACD of the Funds or one of its associates if the Prospectus of the Company clearly states that the Funds may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with.
- 8.3 Where a Fund of the Company invests in or disposes of Shares in a Second Fund or units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD must pay to that Fund by close of business on the fourth business day the amount of any preliminary charge in respect of a purchase, and in the case of a sale any charge made for the disposal.
- 8.4 No more than 10 per cent of the property of any Fund will consist of units in collective investment schemes.
9. **Investment in nil and partly paid securities**
- 9.1 A transferable security or an approved money market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund, at the time when payment is required, without contravening the rules in COLL 5.
10. **Derivatives: general**
- 10.1 A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified in paragraph 11 below (Permitted transactions (derivatives and forwards)); and the transaction is covered, as required by paragraph 22 (Cover for investments in derivatives).

- 10.2 Where a scheme invests in derivatives, the exposure to the underlying assets must not exceed the limits in paragraph 5 and 7 except for index based derivatives where the rules below in 10.6 apply.
- 10.3 Where a transferable security or money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.
- 10.4 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
- 10.4.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
  - 10.4.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - 10.4.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 10.5 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 10.6 Where a scheme invests in an index based derivative, provided the relevant index falls within paragraph 12 (Financial indices underlying derivatives) the underlying constituents of the index do not have to be taken into account for the purposes of paragraph 10.2. The relaxation is subject to the ACD continuing to ensure that the property provides a prudent spread of risk.
11. **Permitted transactions (derivatives and forwards)**
- 11.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 15 (OTC transactions in derivatives).
- 11.2 A transaction in a derivative must have the underlying consisting of any or all of the following to which the scheme is dedicated transferable securities, approved money market instruments permitted under paragraph 4 (Approved money market instruments), deposits, permitted derivatives under this paragraph, collective investment scheme units permitted under paragraph 8 (Investment in

collective investment schemes), financial indices which satisfy the criteria set out in COLL 5.2.20, interest rates, foreign exchange rates, and currencies.

- 11.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 11.4 A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Instrument constituting the scheme and the most recently published version of this Prospectus.
- 11.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money market instruments, units in collective investment schemes, or derivatives.
- 11.6 Any forward transaction must be with an approved counterparty under paragraph 15 .

## 12. **Financial indices underlying derivatives**

- 12.1 The financial indices referred to in 12.2 are those which satisfy the following criteria:
  - 12.1.1 the index is sufficiently diversified;
  - 12.1.2 the index represents an adequate benchmark for the market to which it refers; and
  - 12.1.3 the index is published in an appropriate manner.
- 12.2 A financial index is sufficiently diversified if:
  - 12.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
  - 12.2.2 where it is composed of assets in which a Fund is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and
  - 12.2.3 where it is composed of assets in which a Fund cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.
- 12.3 A financial index represents an adequate benchmark for the market to which it refers if:

- 12.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
  - 12.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
  - 12.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- 12.4 A financial index is published in an appropriate manner if:
- 12.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
  - 12.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.
- 12.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to 11.2, be regarded as a combination of those underlyings.
- 13. Transactions for the purchase of property**
- 13.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of a Fund may be entered into only if that property can be held for the account of the Fund, and the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.
- 14. Requirement to cover sales**
- 14.1 No agreement by or on behalf of a Fund to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Fund by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the Fund at the time of the agreement. This requirement does not apply to a deposit.
- 15. OTC transactions in derivatives**
- 15.1 Any transaction in an OTC derivative under this paragraph 15 must be:
- 15.1.1 in a future or an option or a contract for differences;

- 15.1.2 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FCA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
- 15.1.3 on approved terms; the terms of the transaction in derivatives are approved only if the ACD carries out at least daily a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty; and that it can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value; and
- 15.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy: on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or if this value of not available on the basis of a the pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
- 15.1.5 subject to verifiable valuation: a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:
  - 15.1.5.1 an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the ACD is able to check it; or
  - 15.1.5.2 a department within the ACD which is independent from the department in charge of managing the Fund and which is adequately equipped for such a purpose.

For the purposes of 15.1.3 above, "fair value" is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## 16. Valuation of OTC derivatives

- 16.1 For the purposes of paragraph 15.1.3 the ACD must:

- 16.1.1 establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of a Fund to OTC derivatives; and
  - 16.1.2 ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.
- 16.2 Where the arrangements and procedures referred to above involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13 R (Additional requirements for a management company) and COLL 6.6A.4 R (4) to (6) (Due diligence requirements of AFMs of UCITS schemes).
- 16.3 The arrangements and procedures referred to in this rule must be:
- 16.3.1 adequate and proportionate to the nature and complexity of the OTC derivative concerned; and
  - 16.3.2 adequately documented.

## 17. **Risk management**

- 17.1 The ACD uses a risk management process, (including a risk management policy) as reviewed by the Depositary, enabling it to monitor and measure at any time the risk of a Fund's positions and their contribution to the overall risk profile of the Fund.
- 17.2 The following details of the risk management process must be regularly notified by the ACD to the FCA and at least on an annual basis:
- 17.2.1 a true and fair view of the types of derivatives and forward transactions to be used within a Fund together with their underlying risks and any relevant quantitative limits;
  - 17.2.2 the methods for estimating risks in derivative and forward transactions.

The ACD must notify the FCA in advance of any material additions to the details in 17.2.1 or 17.2.2 above.

## 18. **Investment in deposits**

- 18.1 A Fund may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.



## 19. **Significant influence**

- 19.1 The Company must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if immediately before the acquisition, the aggregate of any such securities held by the Company gives the Company power significantly to influence the conduct of business of that body corporate, or the acquisition gives the Company that power.
- 19.2 The Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20 per cent or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

## 20. **Concentration**

- 20.1 The Company must not acquire transferable securities (other than debt securities) which do not carry a right to vote on any matter at a general meeting of the body corporate that issued them, and represent more than 10 per cent of those securities issued by that body corporate. The Company must not acquire more than 10 per cent of the debt securities issued by any single body. The Company must not acquire more than 25 per cent of the units in a collective investment scheme. The Company must not acquire more than 10 per cent of the money market instruments issued by any single body. The Company need not comply with the limits above if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

## 21. **Derivative exposure**

- 21.1 A Fund may invest in derivatives and forward transactions as long as the exposure to which the Fund is committed by that transaction itself is suitably covered from within its property. Exposure will include any initial outlay in respect of that transaction.
- 21.2 Cover ensures that a Fund is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the property. Therefore, a Fund must hold property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Fund is committed. Paragraph 22 (Cover for investment in derivatives) sets out detailed requirements for cover of a Fund.
- 21.3 A future is to be regarded as an obligation to which the Fund is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for); a written option as an obligation to which the scheme is committed (in that it gives the right of potential exercise to another thereby

creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).

21.4 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

## 22. **Cover for investment in derivatives**

22.1 A Fund may invest in derivatives and forward transactions as part of its investment policy provided:

22.1.1 its global exposure relating to derivatives and forward transactions held in the Fund does not exceed the net value of the scheme property; and

22.1.2 its global exposure to the underlying assets does not exceed in aggregate the investment limits laid down in paragraph 5 above.

## 23. **Daily calculation of global exposure**

23.1 The ACD must calculate the global exposure of a Fund on at least a daily basis.

23.2 For the purposes of this section, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

## 24. **Calculation of global exposure**

24.1 The ACD must calculate the global exposure of any Fund it manages either as:

24.1.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in paragraph 10 (Derivatives: general), which may not exceed 100% of the net value of the scheme property of a Fund, by way of the commitment approach; or

24.1.2 the market risk of the scheme property of a Fund, by way of the value at risk approach.

24.2 The ACD must ensure that the method selected above is appropriate, taking into account:

24.2.1 the investment strategy pursued by the Fund;

24.2.2 the types and complexities of the derivatives and forward transactions used; and

- 24.2.3 the proportion of the scheme property comprising derivatives and forward transactions.
- 24.3 Where a Fund employs techniques and instruments including repo contracts or stock lending transactions in accordance with paragraph 26 (Stock lending) in order to generate additional leverage or exposure to market risk, the ACD must take those transactions into consideration when calculating global exposure.
- 24.4 For the purposes of this paragraph, value at risk means a measure of the maximum expected loss at a given confidence level over the specific time period.
25. **Cover and borrowing**
- 25.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover as long as the normal limits on borrowing (see below) are observed.
- 25.2 Where, for the purposes of this paragraph the Fund borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the property, and the normal limits on borrowing under paragraph 28 do not apply to that borrowing.
26. **Stock lending**
- 26.1 The entry into stock lending transactions or repo contracts for the account of the Fund is permitted for the generation of additional income for the benefit of the Fund, and hence for its investors.
- 26.2 The specific method of stock lending permitted in this section is in fact not a transaction which is a loan in the normal sense. Rather it is an arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992, under which the lender transfers securities to the borrower otherwise than by way of sale and the borrower is to transfer those securities, or securities of the same type and amount, back to the lender at a later date. In accordance with good market practice, a separate transaction by way of transfer of assets is also involved for the purpose of providing collateral to the "lender" to cover him against the risk that the future transfer back of the securities may not be satisfactorily completed.
- 26.3 The stock lending permitted by this section may be exercised by a Fund when it reasonably appears to the Company to be appropriate to do so with a view to generating additional income for the Fund with an acceptable degree of risk.

- 26.4 The Company or the Depositary at the request of Company may enter into a stock lending arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of the Company, are in a form which is acceptable to the Depositary and are in accordance with good market practice, the counterparty is an authorised person or a person authorised by a home state regulator, and collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Depositary, adequate and sufficiently immediate.
- 26.5 The counterparties of stock transactions will be highly-rated financial institutions specialised in this type of lending transaction and approved by the Investment Manager. Eligible collateral types are approved by the Investment Manager and may consist of UK gilts, certificates of deposit, treasury bills, sovereign debt, eurosterling bonds and equities. Valuations are carried out daily and a margin is applied to collateral transactions so that, depending on the combination of securities on loan and the type of collateral received, the value of collateral required will range from 102.5% to 110% of the value of securities on loan. However market volatility increases the risk that collateral received on such transactions may have a market value lower than that of the stock lent. If this scenario coincided with a counterparty default this could result in a reduction in the value of a fund, however in normal circumstances the Stock Lending Manager's indemnity would cover any shortfall arising.
- 26.6 The Depositary must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depositary. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Depositary takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.
- 26.7 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) may be regarded, for the purposes of valuation under COLL 4, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the Fund.
- 26.8 There is no limit on the value of the property which maybe the subject of stock lending transactions.

## 27. **Cash and near cash**

- 27.1 The investment objective and policy of a Fund may mean that at times it is appropriate not to be fully invested but to hold cash or near cash. Cash and near cash must not be retained in the property except to the extent that, where this may reasonably be regarded as necessary in order to enable:

- 27.1.1 the pursuit of the Fund's investment objectives; or
  - 27.1.2 redemption of units; or
  - 27.1.3 efficient management of the Fund in accordance with its investment objectives; or
  - 27.1.4 other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund.
- 27.2 During the period of the initial offer the property of the Fund may consist of cash and near cash without limitation.

**28. General power to borrow**

- 28.1 The Company may, in accordance with this paragraph, borrow money for the use of the Fund on terms that the borrowing is to be repayable out of the property. This power to borrow is subject to the obligation of the Fund to comply with any restriction in the instrument constituting the Fund. The Company may borrow only from an Eligible Institution or an Approved Bank. The ACD must ensure that any borrowing is on a temporary basis and that borrowings are not persistent, and for this purpose the ACD must have regard in particular to the duration of any period of borrowing, and the number of occasions on which resort is had to borrowing in any period. In addition, the ACD must ensure that no period of borrowing exceeds three months, whether in respect of any specific sum or at all, without the prior consent of the Depositary, the Depositary's consent may be given only on such conditions as appear to the Depositary appropriate to ensure that the borrowing does not cease to be on a temporary basis only.
- 28.2 The Company must not issue any debenture unless it acknowledges or creates a borrowing that complies with the above requirements.
- 28.3 The ACD must ensure that the Fund's borrowing does not, on any business day, exceed 10 per cent of the value of the property of the Fund. "Borrowing" includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into the property in the expectation that the sum will be repaid. For a Company, borrowing does not include any arrangement for the Company to pay to a third party (including the ACD) any set up costs which the Company is entitled to amortise and which were paid on behalf of the Company by the third party.
- 28.4 None of the money in the property of a Fund may be lent and, for the purposes of this prohibition, money is lent by a Fund if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee. Acquiring a debenture is not lending; nor is the placing of money on deposit or in a current account. These rules do not prevent a Company from providing an officer of the

Company with funds to meet expenditure to be incurred by him for the purposes of the Company (or for the purposes of enabling him properly to perform his duties as an officer of the Company) or from doing anything to enable an officer to avoid incurring such expenditure.

28.5 The property of a Fund other than money must not be lent by way of deposit or otherwise except for the purposes of stock lending as described above.

28.6 Transactions permitted by paragraph 26 are not lending for these purposes.

28.7 The property of a Fund scheme must not be mortgaged.

28.8 Where transactions in derivatives or forward transactions are used for the account of a Fund in accordance with any of the rules in COLL 5, nothing in this paragraph prevents the Fund or the Depositary at the request of the Fund, from:

28.8.1 lending, depositing, pledging or charging the property for margin requirements; or

28.8.2 transferring property under the terms of an agreement in relation to margin requirements, provided that the ACD reasonably considers that both the agreement and the margin arrangements made under it (including in relation to the level of margin) provide appropriate protection to Shareholders.

## 29. **General power to accept or underwrite placings**

29.1 Any power in COLL 5 to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Instrument of Incorporation. This section applies, to any agreement or understanding: which is an underwriting or sub-underwriting agreement, or which contemplates that securities will or may be issued or subscribed for or acquired for the account of the Fund.

29.2 This ability does not apply to an option, or a purchase of a transferable security which confers a right to subscribe for or acquire a transferable security, or to convert one transferable security into another.

29.3 The exposure of a Fund to agreements and understandings as set out above must, on any business day be covered and be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in this chapter.

30. **Guarantees and indemnities**

- 30.1 The Company or the Depositary for the account of the Company must not provide any guarantee or indemnity in respect of the obligation of any person.
- 30.2 None of the property of a Fund may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 30.3 These requirements do not apply to any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with COLL 5, or in respect of the Company an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations; an indemnity (other than any provision in it which is void under regulation 62 of the OEIC regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the property, and to an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Company and the holders of units in that scheme become the first shareholders in the Company.

## APPENDIX IV

### PERFORMANCE FEE

#### 1. Introduction

- 1.1 In respect of the Henderson Credit Alpha Fund and the Henderson US Equity Long/Short Fund (the "funds"), in addition to the Investment Manager's fee set out in paragraph 7.6, the Investment Manager is entitled to an additional fee, a performance related management fee, payable in arrears for each three month quarter of the funds' accounting period, provided the funds meet certain performance objectives, as set out below.
- 1.2 The performance fee will only be charged when, over a three month period, the funds outperform their benchmarks and the High Water Marks and when payable will equal 20% of the appreciation in value of Shares over the benchmark return for those Shares over the relevant quarter.
- 1.3 The "Quarter" is the accounting period of the funds divided into three month periods and shall be the calculation period for determining the performance fee.

#### 2. Benchmark

- 2.1 In order to determine whether to charge a performance fee, the Investment Manager will measure performance against the Benchmark.
- 2.2 The "Benchmark" is the value on the last business day of each Quarter which the published price of the Share on the same day ("Closing Published Price") must exceed in order for a performance fee to be paid.
- 2.3 If the increase in the value of the funds since the beginning of the Quarter is greater than the increase in the Benchmark since that date, one fifth (20%) of the positive difference in performance will be charged to the fund as a performance fee (subject to the High Water Mark in point 3).
- 2.4 The Benchmark will be an amount equal to the published price of a Share on the last business day of the previous Quarter ("Opening Published Price") multiplied by the return available had the amount of the published price been invested at LIBOR (for Henderson Credit Alpha Fund three month UK sterling LIBOR and for Henderson US Equity Long/Short Fund three month US Dollar LIBOR) until the last Dealing Day of the current Quarter. The LIBOR rate will be taken on the last business day of the previous Quarter and will be fixed for the Quarter.
- 2.5 If the Closing Published Price (before deducting the amount of any accrued liability for a performance fee) does not exceed the Benchmark, no performance fee is payable.



### 3. **High Water Mark**

- 3.1 The Investment Manager will also apply a High Water Mark, which means that the Investment Manager will not be rewarded twice for the same out performance.
- 3.2 The High Water Mark for the current Quarter for each Share shall be the last Closing Published Price of a Share (after deduction of the performance fee), at which a performance fee was payable for that Share.

### 4. **Quarter**

4.1 The Quarters run as follows:

- From the first business day following 31 October until the last business day in the period ending 31 January
- From the first business day following 31 January until the last business day in the period ending 30 April
- From the first business day following 30 April until the last business day in the period ending 31 July
- From the first business day following 31 July until last business day in the period ending 31 October.

4.2 The published price of Shares at launch (detailed below) shall be taken as the starting price for the calculations of the performance fee.

Henderson Credit Alpha Fund A Class Accumulation – 50.00 pence

Henderson Credit Alpha Fund EUR A Hedged Gross Accumulation - €5

Henderson Credit Alpha Fund USD A Hedged Gross Accumulation - \$5

Henderson Credit Alpha Fund Y Class Accumulation – 100.00 pence

Henderson Credit Alpha Fund EUR Y Hedged Gross Accumulation - €10

Henderson Credit Alpha Fund G Class Accumulation – 50.00 pence

Henderson Credit Alpha Fund EUR G Hedged Gross Accumulation - €5

Henderson Credit Alpha Fund USD G Hedged Gross Accumulation - \$5

Henderson US Equity Long/Short Fund USD Y Class Accumulation - \$100

Henderson US Equity Long/Short Fund EUR Y Class Hedged Accumulation - €100

Henderson US Equity Long/Short Fund GBP Y Class Hedged Accumulation - £100

The first calculation period shall commence on the launch date of that class and end at the end of the last business day of the next following quarter end as detailed in 4.1.

5. **Performance fee calculation**

5.1 The performance fee will be calculated and accrued to the funds on a daily basis.

5.2 When a performance fee is payable, it is calculated in the following way:

5.2.1 Take the Closing Published Price of a Share (before deducting the amount of any accrued liability for a performance fee) and subtract the Benchmark;

5.2.2 Multiply the difference by 20%;

5.2.3 Multiply the result by the relevant average number of Shares in issue during the Quarter for that class at that valuation point.

6. **Payment of the performance fee**

6.1 The performance fee will accrue and be taken into account in the calculation of the published price of Shares on each business day.

6.2 If shares are cancelled with the Depositary, prior to the end of a quarter, any accrued performance fee in respect of such Shares will be deemed to have crystallised and will become payable to the Investment Manager as detailed in 6.4.

6.3 There is no limit on the maximum amount of the performance fee which may be made in a period.

6.4 The performance fee will be paid to the Investment Manager in arrears for each three month quarter within 14 days of the end of the Quarter.

6.5 The performance fee is based on net realised and net unrealised gains and losses at the end of each calculation period and as a result, fees may be paid on unrealised gains which may never subsequently be realised.

6.6 Once a performance fee is charged to the fund it is not repayable to the fund, should the fund subsequently underperform.

7. **Verification of the performance fee**

7.1 The Depositary shall verify the calculation of the performance fee.

8. **Example Calculations**

**Please note that the following examples are purely for illustrative purposes.**

**Example 1 – No performance fee paid**

Assumes

- 1) the Opening Published Price for a Share was £1.00
- 2) the Closing Published Price of that same Share at the end of the Quarter is £1.02
- 3) if the Fund had invested at LIBOR for this Quarter, it would have earned 4p (4%)

**Step 1: What is the increase in the Share price?**

2p (as the Share price increased from £1.00 to £1.02).

**Step 2: Has it beaten the High Water Mark?**

Yes – because the High Water Mark was £1.00.

**Step 3: Has it beaten the Benchmark?**

No – because over three months the Shareholder could have earned 4p if the money was invested at LIBOR (sterling three month LIBOR).

That would be a return of 4p on a deposit of £1.00 but the increase in value in the fund was only 2p.

**Step 4: Is a performance fee payable?**

No – the fund didn't beat the Benchmark in this example so no performance fee would be payable.

**Step 5: What is the High Water Mark for future fee calculations?**

The Shareholder's High Water Mark will continue to be £1.00 since no performance fee was charged at £1.02.

**Example 2 - Performance fee paid**

Assumes

- 1) the Opening Published Price for a Share was £1.00.
- 2) the Closing Published Price of that same Share at the end of the Quarter is £1.12 excluding any performance fee accrual.
- 3) if the fund had invested at LIBOR for this Quarter, it would have earned 4p (4%).

**Step 1: What is the increase in the Share price?**

12p (as the Share price increased from £1.00 to £1.12).

**Step 2: Has it beaten the High Water Mark?**

Yes – because the High Water Mark was £1.00. So the fund beat its High Water Mark by 12p.

**Step 3: Has it beaten the Benchmark?**

Yes – over three months the Shareholder could have earned 4p if the money was invested at LIBOR (sterling three month LIBOR).

That would be a return of 4p on a deposit of £1.00 but the increase in value was actually 12p.

So the fund beat the Benchmark by 8p.

**Step 4: Is a performance fee payable?**

Yes – the fund beat the Benchmark in this example so a performance fee would be payable. The amount paid is 20% of the amount the fund beat the Benchmark by. In this case that means the fee is 20% of 8p which is 1.6p.

**Step 5: What is the High Water Mark for future fee calculations?**

The Shareholder's High Water Mark is £1.104 (the final closing published price being £1.12 less 1.6p performance fee). The Shareholder will not be charged a performance fee in the future until the Share price is higher than this and the fund has beaten the return a Shareholder would have received if the same amount had been invested at LIBOR (sterling three month LIBOR) again.

## **APPENDIX V**

### **LIST OF FUNDS FOR WHICH THE ACD IS ALSO AUTHORISED CORPORATE DIRECTOR OR MANAGER**

#### **OEICs**

Henderson Global Care Funds

Henderson Global Funds

Henderson Investment Fund OEIC

Henderson Investment Funds Series I

Henderson Investment Funds Series II

Henderson Investment Funds Series III

Henderson Investment Funds Series IV

Henderson Investment Funds Series V

Henderson OEIC

Henderson Multi-Manager Investment OEIC

Henderson Secured Loans Fund

Henderson UK & Europe Funds

Henderson UK Property OEIC

#### **Authorised Unit Trusts**

Henderson Asian Dividend Income Unit Trust

Henderson Fixed Interest Monthly Income Unit Trust

Henderson Global Growth Fund

Henderson Institutional Absolute Return Bond Fund

Henderson Institutional Cash Fund

Henderson Institutional Credit Fund

Henderson Institutional Global (50/50) Enhanced Equity Fund

Henderson Institutional High Alpha Credit Fund

Henderson Institutional High Alpha Gilt Fund

Henderson Institutional High Alpha UK Equity Fund

Henderson Institutional Mainstream UK Equity Fund

Henderson Institutional UK Enhanced Equity Fund

Henderson Institutional UK Equity Tracker Fund

Henderson Money Market Unit Trust

Henderson Multi-Manager Distribution Fund

Henderson Multi-Manager Diversified Fund

Henderson Multi-Manager Income & Growth Fund

Henderson Multi-Manager Global Select Fund

Henderson Sterling Bond Unit Trust

Henderson UK Strategic Income Unit Trust

Further details of these companies or any of the Funds are available from the ACD on request.

**APPENDIX VI**  
**PAST PERFORMANCE**

<b>Name</b>	<b>Percentage Growth 1 Year to 31/12/2013</b>	<b>Percentage Growth 1 Year to 31/12/2012</b>	<b>Percentage Growth 1 Year to 31/12/2011</b>	<b>Percentage Growth 1 Year to 31/12/2010</b>	<b>Percentage Growth 1 Year to 31/12/2009</b>
Henderson Institutional Asia Pacific ex Japan Enhanced Equity Fund	2.66	16.91	-14.64	23.32	54.07
<i>IMA Asia Pac ex Japan</i>	<i>1.76</i>	<i>16.63</i>	<i>-16.31</i>	<i>22.03</i>	<i>53.83</i>
Henderson Credit Alpha Fund	4.19	7.51	-1.18	9.18	26.53
<i>IMA Targeted Absolute Return sector*</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Henderson Institutional European Enhanced Equity Fund	25.54	17.41	-14.94	5.20	22.35
<i>IMA Europe ex UK sector</i>	<i>26.11</i>	<i>19.40</i>	<i>-15.41</i>	<i>8.83</i>	<i>19.46</i>
Henderson Institutional Japan Enhanced Equity Fund	23.74	2.68	-14.02	18.37	-6.52
<i>IMA Japan sector</i>	<i>26.04</i>	<i>3.29</i>	<i>-11.32</i>	<i>19.22</i>	<i>-3.50</i>
Henderson Institutional North American Enhanced Equity Fund	27.26	9.97	0.35	18.76	14.56
<i>IMA North America sector</i>	<i>30.57</i>	<i>7.46</i>	<i>-2.03</i>	<i>17.25</i>	<i>18.53</i>
Henderson Institutional Emerging Market Debt Absolute Return Fund	-0.66	1.96	-0.74	2.11	3.58
<i>IMA Specialist*</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

Performance information on the other Funds will be included once the Funds have established a sufficient performance record.

Past performance is not a guarantee of future performance. The value of your investments and the income from them can fall as well as rise and you might not get back the original amount invested. This can be as a result of markets movements, and also from variations in the exchange rates between sterling and the currency in which a particular underlying investment is denominated.

*(Source: Morningstar , Mid to Mid, Net income reinvested, Net of fees, GBP)*

**\* Due to the diverse nature of funds within this sector the IMA deem it inappropriate to display comparative performance history.**

## DIRECTORY

**The Company and Head Office:**

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201 Bishopsgate  
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**ACD:**

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London EC2M 3AE

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135 Bishopsgate  
London EC2M 3UR

**Investment Manager:**

Henderson Global Investors Limited  
201 Bishopsgate  
London EC2M 3AE

**Fund Administrator:**

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55 Moorgate  
London EC2R 6PA

**Client Administrator and Registrar:**

International Financial Data Services Limited and International Financial Data Services  
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