

# 1H16 interim results

Thursday 28 July 2016

**Andrew Formica**  
Chief Executive

**Roger Thompson**  
Chief Financial Officer



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# Agenda

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- 1H16 overview
- EU referendum update
- 1H16 financial results
- Strategy and outlook

# 1H16 overview

## Widespread market uncertainty; operational and strategic resilience

- Investment performance remains solid
- June Retail outflows were c.90% of the 1H16 Retail outflow of £1.4bn
- Institutional flows resilient in 2Q16
- AUM increase to £95.0bn (Dec 2015: £92.0bn) driven by positive currency translation

	1H16	1H15
3 year investment performance <sup>1</sup>	77%	83%
Net flows	£(2.0)bn	£5.6bn
Total AUM	£95.0bn	£82.1bn
Underlying PBT	£100.5m	£117.4m
Underlying diluted EPS	7.1p	8.9p
Interim dividend per share	3.20p	3.10p

<sup>1</sup> Percentage of funds, asset-weighted, that are outperforming based on the relevant metric: peer percentile ranking for Retail, positive for absolute return, positive versus benchmark for Institutional

# EU referendum – the aftermath

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## Four key areas of focus

- Clear and open communication with clients
- Monitoring investment performance and operational metrics
- Taking action where necessary to ensure fair treatment of all clients
- Engaging with regulators, industry peers and policy makers

# EU referendum – engagement with clients

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**Brexit – a political, not a financial crisis**

**Brexit reaction: UK equity income & growth opp.**

**Brexit: investment impact**

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**Brexit: investment impact**

Henderson's investment teams have been providing their views in the months leading up to the referendum. They now provide Brexit reactions' outlining how they believe the vote to 'leave' will impact their asset classes and portfolios.

Download our overview PDF

Not all paths lead to Brexit

by Paul O'Connor  
3 weeks ago

Paul O'Connor - Head of Multi-Asset, reflects on the UK's vote to leave the European Union ('Brexit'). He explains why a full Brexit is far from guaranteed.

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**Brexit: overview and outcomes**

For professional investors only

The impact of the UK's vote to leave the European Union (EU) – 'Brexit' (British exit) – is likely to be felt across Europe's political and investment landscapes for many years to come.

This guide provides a high level overview of the situation at the time of writing and explores the many questions still left unanswered.

**Background**

When and why did the UK join the EU? The EU's origins can be traced back to 1951 when six European nations formed the European Coal and Steel Community in a belief that closer economic ties would help prevent conflict between nations. In 1973, the UK, seeking stronger trade links, joined what had by then become the European Community and in a referendum in 1975, some 67% of the electorate voted in favour of continued membership. Over time, treaty changes and additional countries joining meant that the community developed into the European Union in 1993.

**Why was the 2016 referendum called?**

Some of the UK electorate felt that the UK never opted to join the EU as it currently stands following its significant expansion. Concerns surrounding the UK's sovereignty, the free movement of people, and the EU's call for an 'ever closer union' led to a rise in Euroscepticism. The Prime Minister (PM) and leader of the Conservative Party, David Cameron, subsequently called for a referendum on continued EU membership as part of his re-election campaign in 2015.

**What was the outcome of the vote on 23 June 2016?**

48.1% (16,141,241) Remain a member of the EU

Turnout 72.2%

51.9% (12,102,242) Leave the EU

Source: Electoral Commission

The UK voted to leave the EU by a small majority. This led to the resignation of the pro EU PM David Cameron, who will step down from his position by October.

Broadly speaking, Scotland, Northern Ireland and metropolitan cities such as London, Bristol, Manchester and Liverpool voted to remain part of the EU. This is in contrast to Wales, most of rural

and suburban England, and former industrial areas which voted to 'Leave'. There was also a stark divide between younger voters ('Millennials') and older voters ('Boomers'), with higher turnout amongst older voters seen as a key determinant.

**What next?**

**What is Article 50 and why is it so important?** Article 50 is included in the Lisbon Treaty, which became law in December 2009. It sets out a basic five-point plan should any country wish to leave the EU. It has never been invoked.

If or when the UK formally notifies the EU of its intention to withdraw, Article 50 will be triggered. The next part of the process should take no longer than two years but the details have never been firmly established and are therefore vague. While Article 50 is being implemented the UK would still be bound by EU laws and in the free trade area of the EU 'single market' but with no involvement in internal EU discussions or decisions.

**Range of scenarios**

There are a wide range of paths towards or away from Brexit that could be taken. Below are four possibilities at the time of writing:

**1. Article 50 is triggered (at some point)** While some EU foreign ministers have urged the UK to start the process immediately, the EU has no power to influence the timing of the Article 50 notification. Much work will need to be done on evaluating the costs, benefits and implementation options surrounding this potentially momentous decision. David Cameron's replacement will probably not take office until at least September. There is little chance of the government making any important decisions on the referendum result until his successor is installed.

**UK equity income & growth video: after the referendum**

07/07/2016

Chapters

- Brexit risks and opportunities 00:00
- Rational markets 00:47
- Dividend earnings upgrades/downgrades 01:44
- Opportunities for dividend growth 02:50

**Brexit: investment impact**

Henderson's investment teams have been providing their views in the months leading up to the referendum. They now provide 'Brexit reactions' outlining how they believe the vote to 'leave' will impact their asset classes and portfolios.

View our range of Brexit viewpoints

Laura Foll, Co-Manager of the Henderson UK Equity Income & Growth Fund, provides a video update discussing the key post-referendum risks and opportunities. Laura highlights:

- Risk
- Global
- Sector

**What does Brexit mean for Chinese stocks?**

12/07/2016

Chapters

- Brexit implications 00:04
- Contrasting impact on Shanghai and Hong Kong markets 01:29
- Portfolio positioning 02:09
- Investors returning to Asia? 02:38

**Brexit implications for European property equities**

04/07/2016

Chapters

- How have property & equities fared post Brexit? 00:05
- Implications for UK property equities 01:41
- Where are we investing in the UK? 02:50
- Prices of strength in Germany, Spain and Northern Europe 03:29
- Supportive scenarios for European equities 04:36

**Related funds**

- Henderson Horizon Asia Pacific Property Equities Fund
- Henderson Horizon Global Property Equities Fund
- Henderson Horizon Plan European Property Equities Fund

**Related articles**

Brexit reaction: outlook for property equities

"This was the best piece yet on the subject. Bravo."

# EU referendum – investment performance

## Relatively modest impact

### Top 20 Retail funds by AUM

Fund	Fund range	Capability	Relative performance <sup>1</sup>			Closing AUM 30 Jun 2016
			11 mths to 31 May 2016	12 mths to 30 Jun 2016	12 mths 22 days to 22 Jul 2016	
Henderson Gartmore Continental European	SICAVs	European Equities	(1.7%)	1.3%	0.1%	£3.7bn
Henderson Gartmore UK Absolute Return	SICAVs	Alternatives	4.9%	3.3%	3.8%	£3.7bn
Henderson UK Property PAIF <sup>2</sup>	UK OEICs/UTs	Alternatives	(0.9%)	(1.7%)	n/a	£3.6bn
International Opportunities	US Mutuals	Global Equities	(1.0%)	(2.7%)	(0.7%)	£3.5bn
Henderson Horizon Pan Euro Equity	SICAVs	European Equities	1.2%	(0.5%)	(0.2%)	£3.2bn
Global Equity Income	US Mutuals	Global Equities	8.6%	9.6%	8.8%	£2.9bn
Henderson Horizon Euro Corporate Bond	SICAVs	Global Fixed Income	(0.8%)	(0.6%)	(0.3%)	£2.6bn
Henderson European Selected Opportunities	UK OEICs/UTs	European Equities	(3.5%)	(0.9%)	(1.1%)	£2.2bn
European Focus	US Mutuals	European Equities	(5.3%)	(6.7%)	(5.4%)	£2.1bn
Henderson Cautious Managed	UK OEICs/UTs	Global Equities	(0.7%)	(2.4%)	(2.7%)	£2.1bn
Henderson Strategic Bond	UK OEICs/UTs	Global Fixed Income	0.4%	0.2%	0.6%	£1.6bn
Henderson UK Absolute Return	UK OEICs/UTs	Alternatives	5.4%	3.6%	4.5%	£1.5bn
Henderson Horizon Global Technology	SICAVs	Global Equities	4.7%	3.5%	3.1%	£1.4bn
The City of London Investment Trust	Investment Trusts	Global Equities	2.0%	3.9%	3.6%	£1.3bn
Henderson Horizon Pan European Alpha	SICAVs	Alternatives	(2.5%)	(3.7%)	(3.4%)	£1.1bn
Henderson Horizon Euroland	SICAVs	European Equities	5.1%	3.4%	3.8%	£1.0bn
Henderson European Growth	UK OEICs/UTs	European Equities	3.2%	4.3%	5.0%	£1.0bn
The Bankers Investment Trust	Investment Trusts	Global Equities	(2.9%)	(1.4%)	(0.9%)	£0.8bn
Henderson Gartmore Pan European	SICAVs	European Equities	(0.5%)	1.3%	0.7%	£0.8bn
Henderson Fixed Interest Monthly Income	UK OEICs/UTs	Global Fixed Income	1.3%	0.4%	0.8%	£0.8bn

<sup>1</sup> Performance relative to a sector, with the exception of Henderson Gartmore UK Absolute Return, Henderson UK Absolute Return and Henderson Horizon Pan European Alpha, which are absolute returns

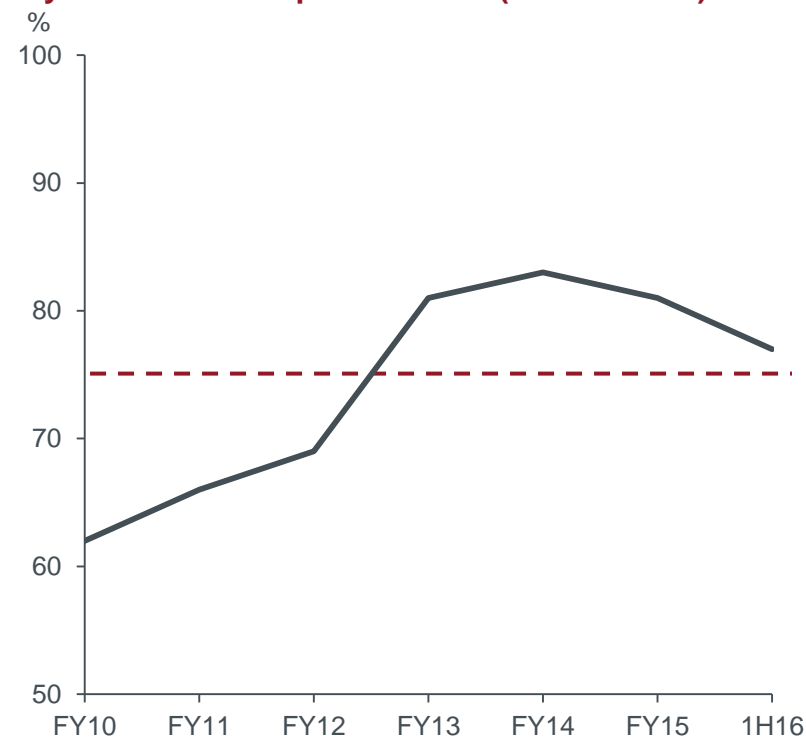
<sup>2</sup> Henderson UK Property PAIF is measured against a customised sector of direct property funds and is currently suspended from dealing

# Consistently strong investment performance

77% of funds outperformed over three years

Capability	Closing AUM 30 Jun 2016	1 year <sup>1</sup>	3 years <sup>1</sup>
European Equities	£19.4bn	45%	93%
Global Equities	£28.9bn	59%	76%
Global Fixed Income	£27.5bn	63%	65%
Multi-Asset	£4.9bn	47%	91%
Alternatives	£14.3bn	50%	72%
<b>Total</b>	<b>£95.0bn</b>	<b>55%</b>	<b>77%</b>

3 year investment performance (FY10 – 1H16)

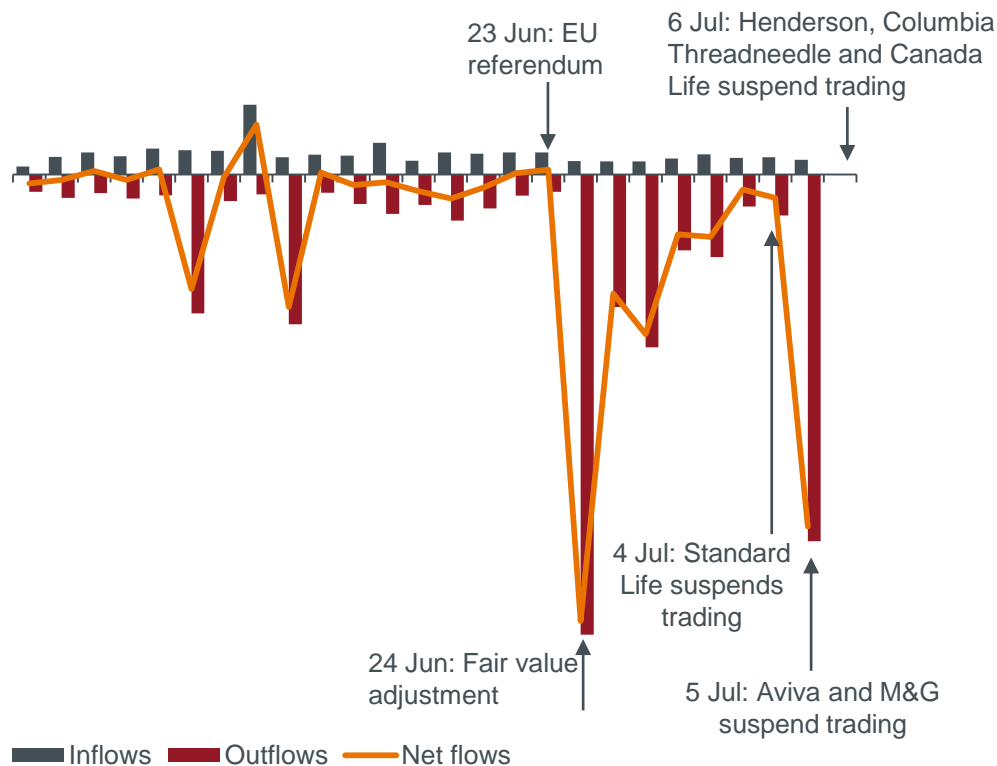


<sup>1</sup> Percentage of funds, asset-weighted, that are outperforming based on the relevant metric: peer percentile ranking for Retail, positive for absolute return, positive versus benchmark for Institutional

# Henderson UK Property PAIF

## Suspension of trading – balancing pricing and liquidity

### Henderson UK Property PAIF daily flows – 1 Jun to 5 Jul 2016



- Suspension safeguards the interests of all investors and allows for an orderly sale of some properties to rebuild liquidity
- Fund has a high quality, well-located portfolio and a good mix of tenants
- Holders continue to receive income during the suspension period
- Suspension will be reviewed every 28 days



# EU referendum – operational considerations

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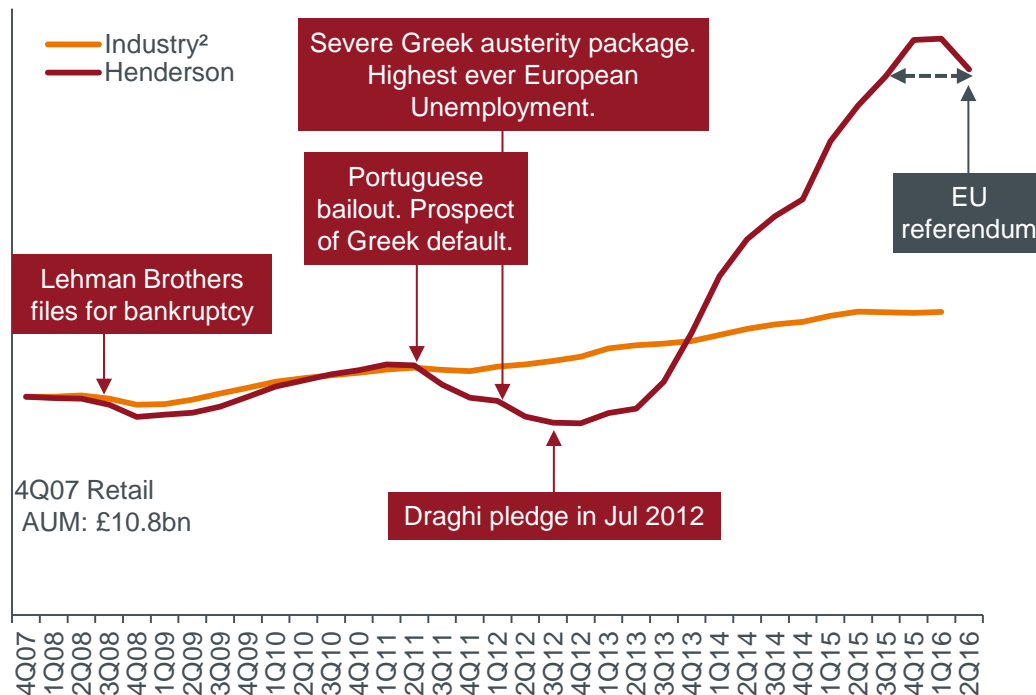
## Minimal change currently expected to the way we operate our business

- Client relationships  
Clients served primarily by local teams from 7 European offices, with support from London  
**No change**
- UK OEIC product range – £32.6bn  
95% of clients are UK based although the range is passportable into Europe  
**No change**
- SICAV product range – £21.1bn  
Luxembourg-based ManCo, with funds sub-advised to non EU-based managers.  
More in-country oversight may be required in Luxembourg  
**Minimal change**
- EU regulation  
Continue to implement MiFID II, PRIIPS etc in order to access the single market  
**No change**
- UK regulation  
Engagement at firm and industry level with the UK Government, UK Treasury and FCA  
**Increased activity at policy level**

# Macro events and their effect on Retail flows

## Strategic initiatives have improved Henderson's resilience

### Cumulative effect of Retail flows on AUM as at 1 Jan 2008<sup>1</sup>



Total number of quarters	34
Total number of positive quarters	22
Total number of negative quarters	12
Average net flow – positive quarters	£1.0bn
Average net flow – negative quarters	(£0.5bn)

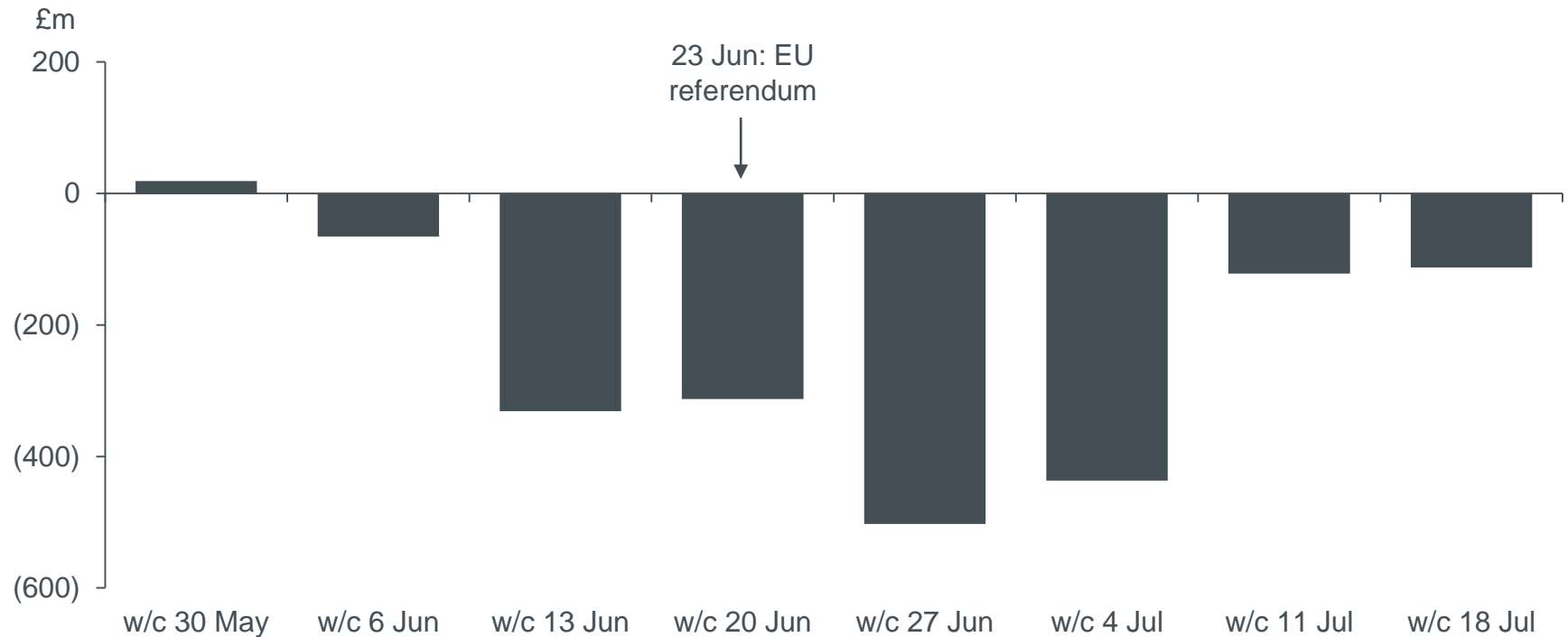
<sup>1</sup> Includes 4Q07 closing AUM and flows from Retail UK OEICs/Unit Trusts/Other, SICAVs and US Mutuals. Australian Managed Investment Schemes are excluded from Nov 2015 onwards

<sup>2</sup> Source: Morningstar and Worldwide OE, excluding fund of funds, money market and feeder funds. Rebased to 4Q07 Henderson Retail AUM.

# EU referendum – impact on Retail flows

## Outflows moderating in July

### Retail weekly net flows<sup>1</sup> – 30 May 2016 to 22 Jul 2016



<sup>1</sup> Includes flows from UK OEICs, SICAVs and US Mutual funds

# Post referendum summary

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- High levels of political and market uncertainty
- Increased communication with clients to continue to provide excellent service and market insight
- Minimal change currently expected to the way we operate our business

# 1H16 interim results

## Financial results

Roger Thompson  
Chief Financial Officer

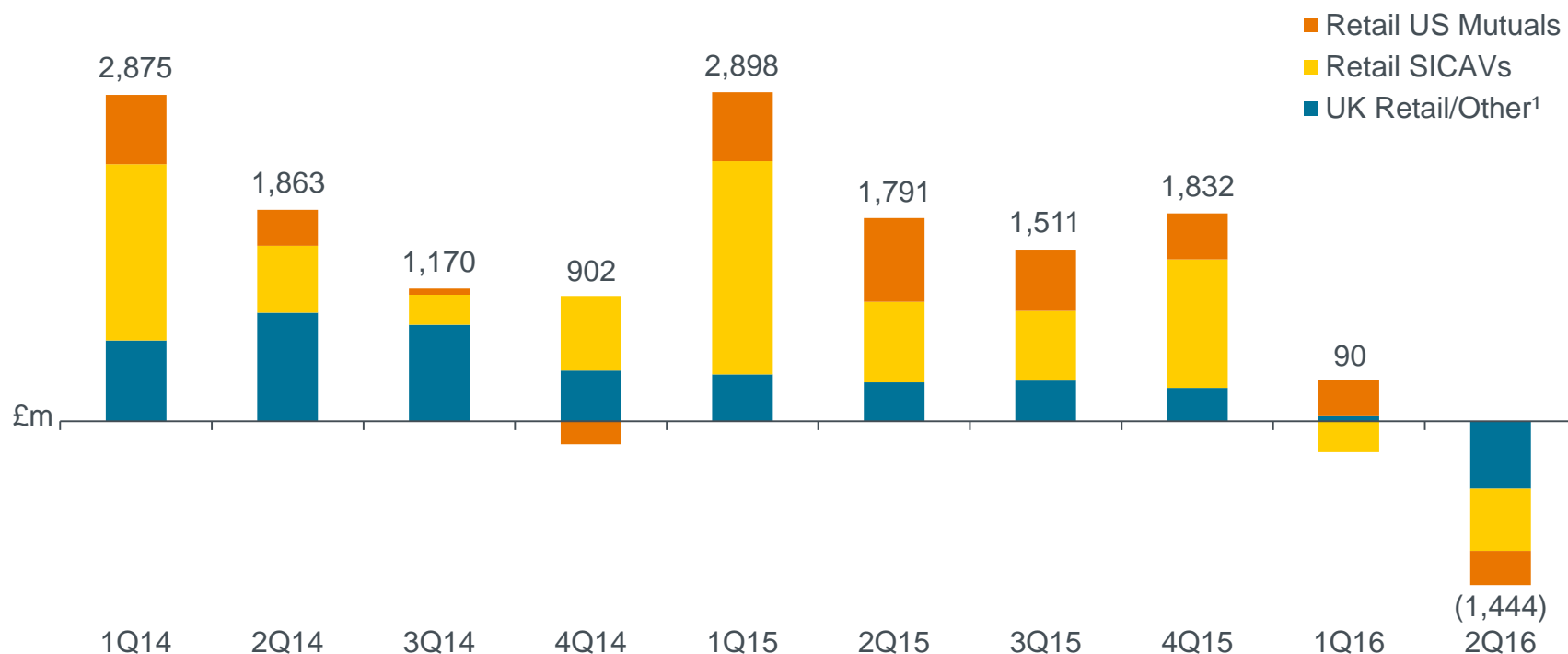
# Financial highlights

## Diversification and discipline in a tough first half

	1H16 £m	1H15 £m	Change
Management fees (net of commissions)	239.7	230.4	4%
Performance fees	20.1	48.8	(59%)
Other income	19.0	16.9	12%
<b>Net fee income</b>	<b>278.8</b>	<b>296.1</b>	<b>(6%)</b>
Income from associates and joint ventures	0.5	0.4	25%
Finance income	5.5	15.3	(64%)
<b>Net income</b>	<b>284.8</b>	<b>311.8</b>	<b>(9%)</b>
<b>Total expenses</b>	<b>(184.3)</b>	<b>(194.4)</b>	<b>(5%)</b>
<b>Underlying profit before tax</b>	<b>100.5</b>	<b>117.4</b>	<b>(14%)</b>

# Retail net flows

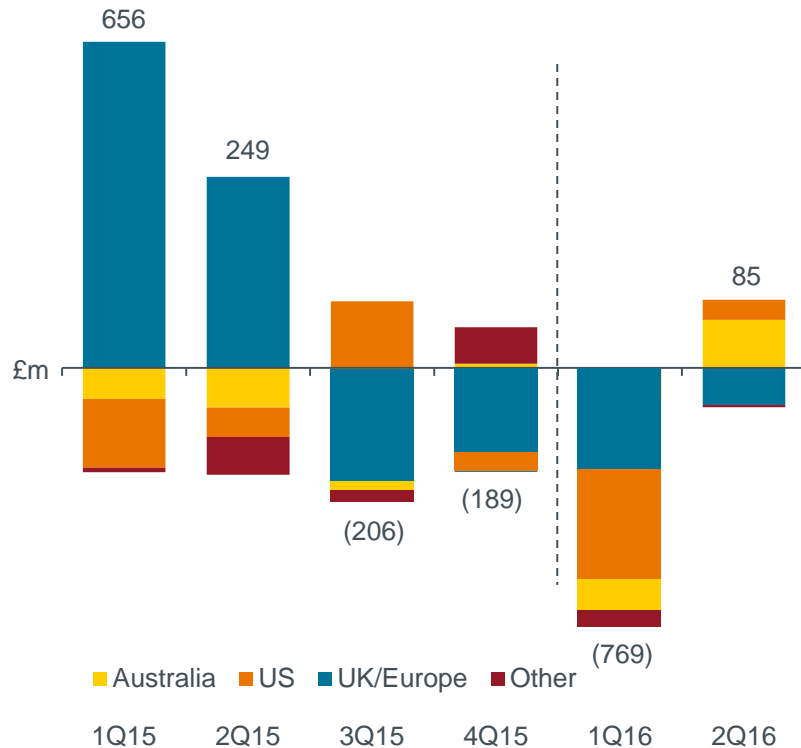
Outflows concentrated in the immediate aftermath of the EU referendum



<sup>1</sup> Includes flows from UK OEICs, Unit Trusts, Investment Trusts, Australian MIS (Managed Investment Schemes), Singapore Mutual funds and Retail Segregated Mandates

# Institutional net flows

## Increasingly international client base

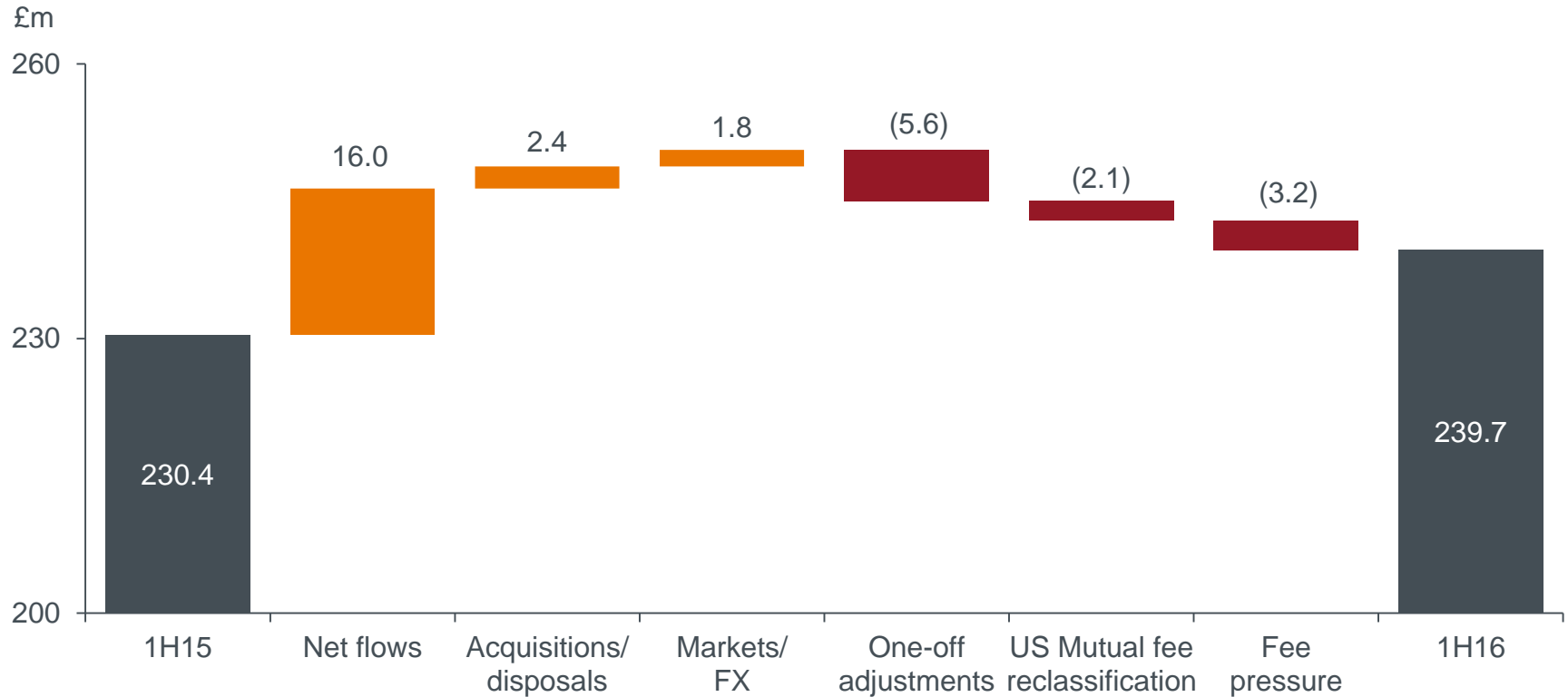


- UK is our most established business
- Developing pipeline in Continental Europe
- Positive flows in Australia into Fixed Interest and Australian Equities
- Positive flows in the US in 2Q16 driven by mandate wins for Henderson Geneva Small Cap
- Pipeline building in Emerging Markets



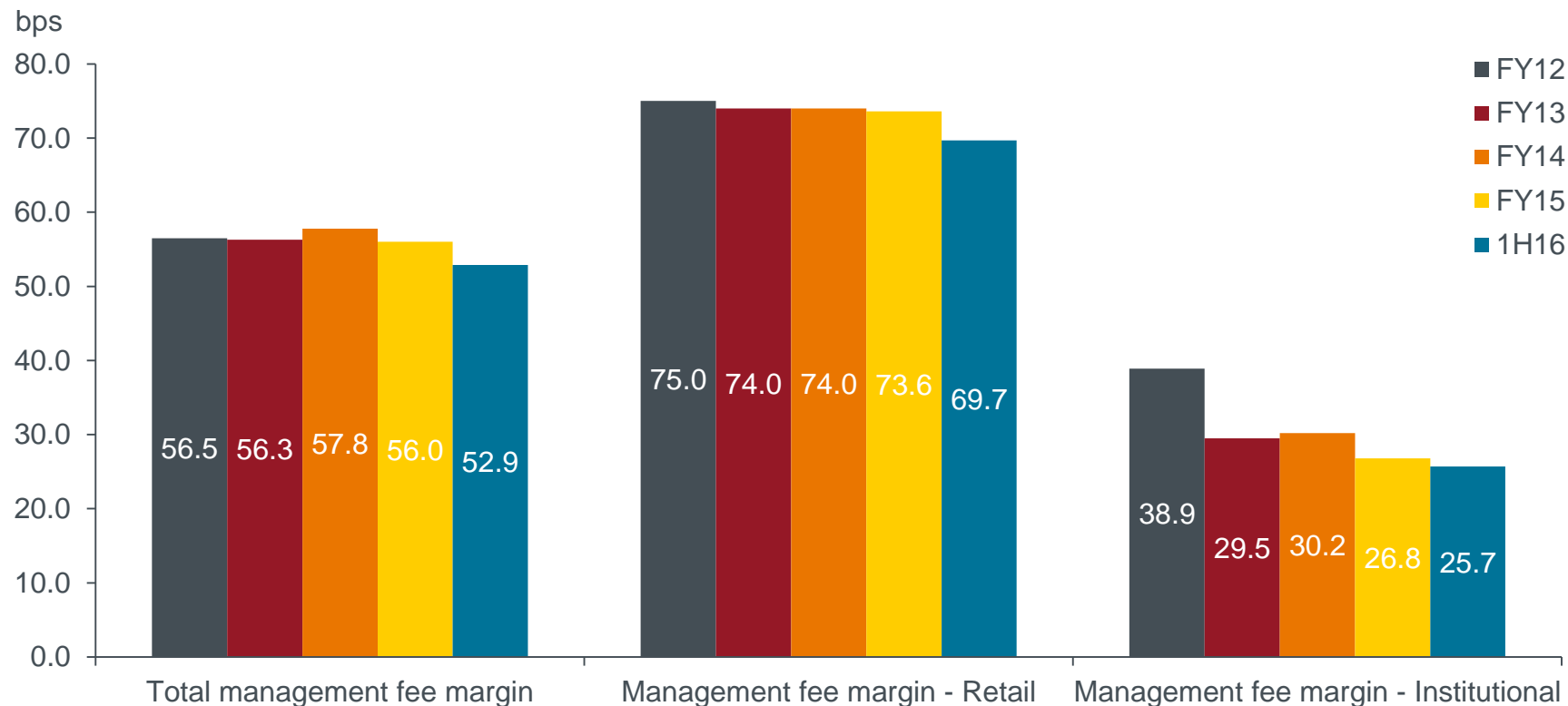
# Management fee drivers

Strong flows offset by one-off and recurring adjustments



# Management fee margins

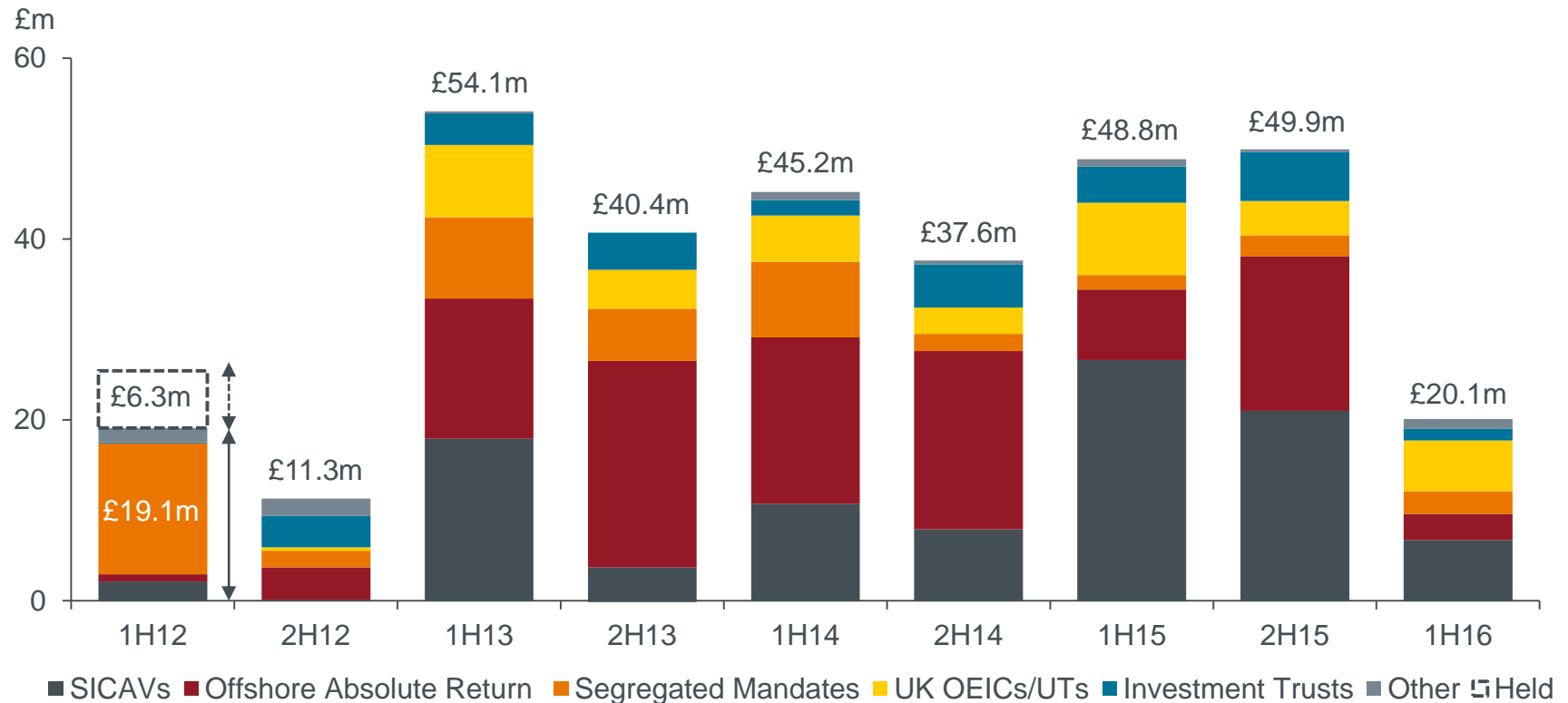
1H16 total management fee exit margin: 54bps (Retail 72bps; Instl 26bps)



Note: Average margins for 1H16 are calculated using daily AUM for relevant fund ranges. Prior period calculations are based on month-end AUM.

# Performance fees

## Performance fees from 29 funds in 1H16

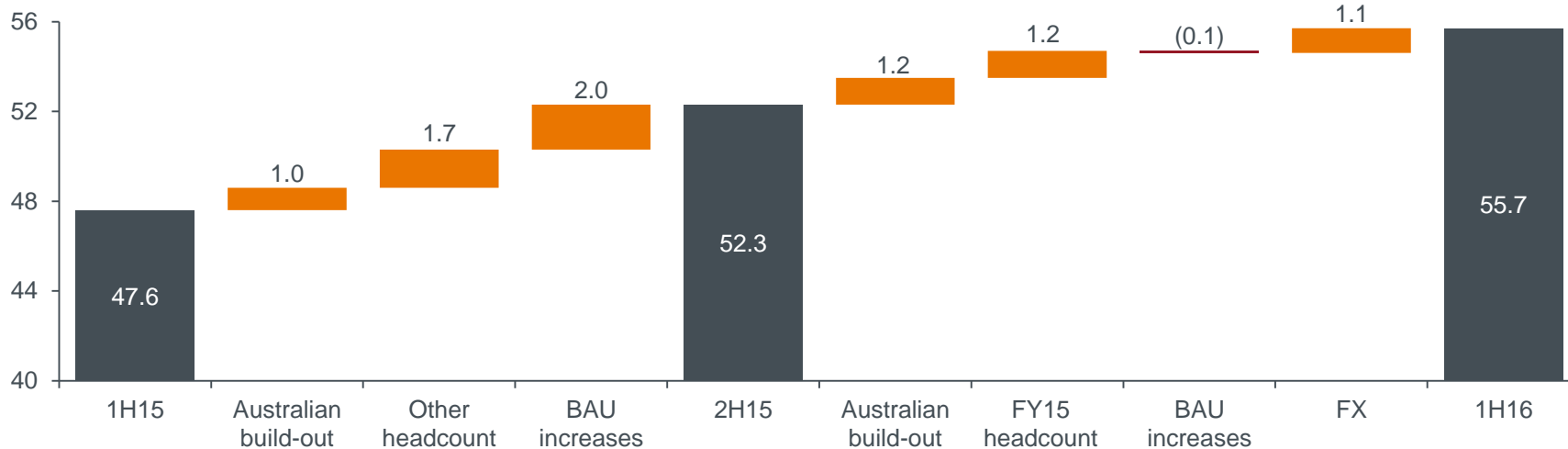


# Operating cost drivers and action

## Cost control to protect our investments

	2H14	1H15	Change (1H15 vs 2H14)	2H15	Change (2H15 vs 1H15)	1H16	Change (1H16 vs 2H15)
Headcount <sup>1</sup>	922	928	1%	1,016	9%	1,011	-
Fixed staff costs	£45.4m	£47.6m	5%	£52.3m	10%	£55.7m	7%
Variable staff costs	£72.6m	£84.3m	16%	£84.4m	-	£67.0m	(21%)
Non-staff costs	£51.0m	£56.7m	11%	£61.5m	8%	£58.3m	(5%)

### Fixed staff costs – 1H15 to 1H16 (£m)

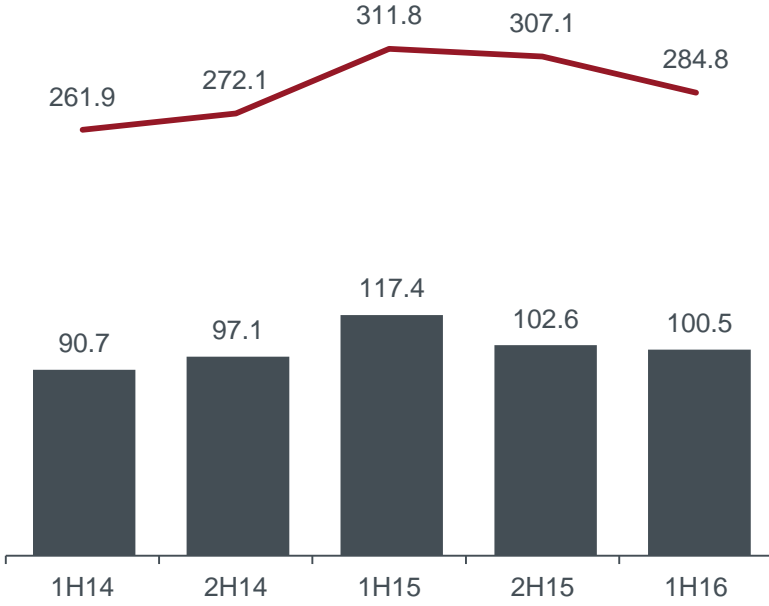


<sup>1</sup> At period end. Excludes staff working on capitalised projects.

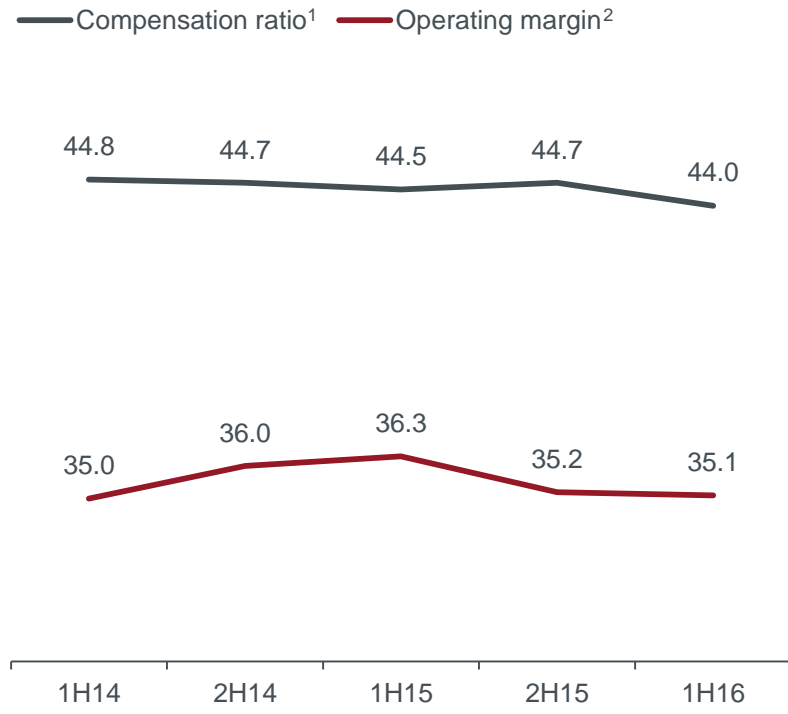
# Operating margin and compensation ratio

Focus remains on absolute profit growth

Total income and underlying profit before tax (£m)



Operating margin and compensation ratio (%)



<sup>1</sup> Employee compensation and benefits, divided by net fee income  
<sup>2</sup> Net fee income less total operating expenses, divided by net fee income

# Tax, EPS and dividend

## Tax rate increase as forecast

	1H16	1H15	Change
Total underlying profit before tax	£100.5m	£117.4m	(14%)
Tax on underlying profit	(£21.0m)	(£15.6m)	35%
Total underlying profit after tax	£79.5m	£101.8m	(22%)
Underlying effective tax rate on operations	20.9%	13.3%	57%
Weighted average number of ordinary shares for diluted EPS	1,117.1m	1,146.7m	(3%)
Underlying diluted EPS	7.1p	8.9p	(20%)
Interim dividend per share	3.20p	3.10p	3%

## Dividend policy

Henderson will maintain its progressive dividend policy, and expects to grow ordinary dividends broadly in line with underlying earnings over the medium term.

# Capital management

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## Active management of capital resources

	30 Jun 2016 £m	31 Dec 2015 £m
Unrestricted cash	150.8	352.6
Net cash	150.8	202.6
<b>Total capital</b>	<b>250</b>	<b>238</b>
Group capital requirement <sup>1</sup>	(145)	(138)
<b>Capital above regulatory requirement</b>	<b>105</b>	<b>100</b>

## Capital and cash management

- £150m senior notes repaid from cash resources in March 2016
- FCA capital review in 2H16, following expiry of consolidation waiver in April 2016
- Previously announced share buyback of £25m expected in 2H16

<sup>1</sup> Based upon internal calculations

# 1H16 interim results

## Strategy and outlook

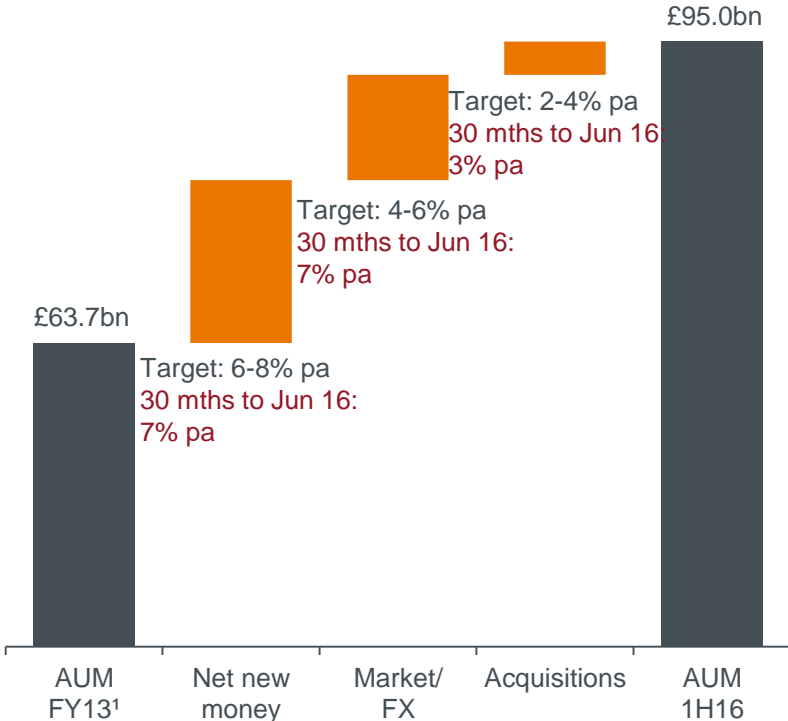
Andrew Formica  
Chief Executive



# Growth and globalisation – mid-point review

## A fundamentally stronger, more diverse business

- At the mid-point of our five year plan, we have executed well on our strategy
  - Strong performance in an increasingly diverse range of investment styles
  - Broader client base
  - Strong financial position



<sup>1</sup> Excludes AUM subject to Property transactions with TIAA-CREF and resultant TH Real Estate JV AUM but includes Henderson UK Property OEIC

# Continued strong performance in new funds

	Team	Inception	Acquisition	Relative performance as at 30 Jun 2016 <sup>1</sup>			
				Since inception	1 year	3 years	
<b>Equities</b>	Global Equities <sup>2</sup>	2012		0.9%	(2.3%)	(0.3%)	
	Asia Growth <sup>3</sup>	2014		1.8%	5.2%	–	
	Global Emerging Markets <sup>2</sup>	2015		3.9%	7.5%	–	
	Global Natural Resources <sup>3</sup>	2012	2013 <sup>5</sup>	3.9%	10.8%	4.3%	
	Henderson Geneva						
	US Mid-Cap Growth <sup>4</sup>	1999	2014	3.7%	1.6%	(0.4%)	
	US Small-Cap Growth <sup>4</sup>	2009	2014	3.3%	14.4%	2.9%	
Australian Growth Equities <sup>2</sup>	2001	2015	(0.2%)	5.4%	2.5%		
<b>Fixed Income</b>	US High Yield <sup>3</sup>	2013		2.8%	1.7%	2.8%	
	Emerging Markets Credit <sup>3</sup>	2014		4.1%	2.3%	–	
	Australian Fixed Interest						
	Australian Fixed Income <sup>2</sup>	1994	2015	0.2%	(0.2%)	(0.02%)	
	Henderson Tactical Income <sup>3</sup>	2009	2015	1.1%	(0.8%)	(0.3%)	
<b>Alternatives</b>	Global Commodities <sup>2</sup>	2009	2013	1.6%	2.2%	1.7%	
	Agriculture <sup>3</sup>	2010	2011	7.7%	9.5%	5.7%	

<sup>1</sup> All returns quoted net of fees, with the exception of Australian Growth Equities, Australian Fixed Income, Henderson Tactical Income and Global Commodities which are quoted on a gross basis

<sup>2</sup> 30 Jun 2016 asset weighted relative return of funds following the main marketed strategy for the desk

<sup>3</sup> Relative performance of a single representative fund

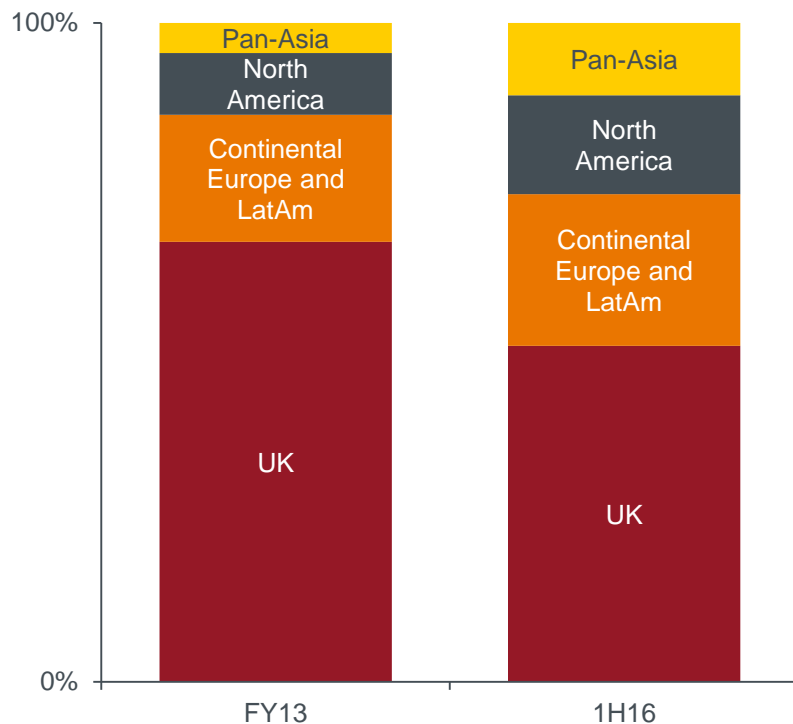
<sup>4</sup> GIPS (Global Investment Performance Standards) compliant composite figures quoted

<sup>5</sup> Acquisition of 33% of 90 West Asset Management in 2013. The Group increased its holding to 41% in 2014 and acquired the remaining interest in 2015

# Increasingly global client base

c.50% of AUM now managed for clients outside the UK

## Group AUM by client geography



### UK

- Well balanced Retail business
- Institutional well positioned

### Continental Europe and LatAm

- Strong organic growth
- Broadening client base – Latin America, discretionary portfolios, Retail advisory, Institutional mandates

### North America

- Diversification of client base: Institutional flows turned positive in 2Q16 as Retail flows reversed

### Australia

- Strong flow momentum
- Opportunities to broaden platform relationships

# Outlook

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- Retail net outflow starting to moderate in July
- Positive Institutional pipeline
- Stronger and better positioned as a result of growth and globalisation
- Remain vigilant on costs
- Strategy, direction and focus reconfirmed

**Q&A**



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# Appendix

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# AUM and fund flows

£m	1H16				
	Opening AUM 1 Jan 2016	Net flows	Market/ FX	Closing AUM 30 Jun 2016	Closing AUM net mgmt fee <sup>1</sup> (bps)
UK OEICs/Unit Trusts/Other <sup>2</sup>	23,358	(584)	424	23,198	
SICAVs	19,328	(817)	1,190	19,701	
US Mutuals	8,647	14	454	9,115	
Investment Trusts	5,582	33	(52)	5,563	
<b>Total Retail</b>	<b>56,915</b>	<b>(1,354)</b>	<b>2,016</b>	<b>57,577</b>	<b>72</b>
UK OEICs/Unit Trusts	9,742	909	450	11,101	
SICAVs	1,565	(259)	62	1,368	
Australian MIS	1,499	(143)	198	1,554	
Managed CDOs	102	(9)	12	105	
Offshore Absolute Return Funds	2,397	(372)	198	2,223	
Segregated Mandates	19,653	(807)	2,151	20,997	
Private Equity Funds	58	(2)	(2)	54	
Other <sup>3</sup>	54	(1)	7	60	
<b>Total Institutional</b>	<b>35,070</b>	<b>(684)</b>	<b>3,076</b>	<b>37,462</b>	<b>26</b>
<b>Total Group</b>	<b>91,985</b>	<b>(2,038)</b>	<b>5,092</b>	<b>95,039</b>	<b>54</b>

<sup>1</sup> Based on closing management fee bps excluding joint ventures and associates AUM

<sup>2</sup> Includes Australian Managed Investment Schemes, Singapore Mutual funds and Retail Segregated Mandates

<sup>3</sup> Includes US Mutuals

# AUM and fund flows

## By asset class

£m	1H16				
	Opening AUM 1 Jan 2016	Net flows	Market/ FX	Closing AUM 30 Jun 2016	Closing AUM net mgmt fee <sup>1</sup> (bps)
Equity	60,891	(1,928)	2,772	61,735	67
Fixed Income	26,841	331	2,422	29,594	27
Property	4,171	(425)	(103)	3,643	n/a
Private Equity	82	(16)	1	67	n/a
<b>Total Group</b>	<b>91,985</b>	<b>(2,038)</b>	<b>5,092</b>	<b>95,039</b>	<b>54</b>

## By capability<sup>2</sup>

£m	1H16				
	Opening AUM 1 Jan 2016	Net flows	Market/ FX	Closing AUM 30 Jun 2016	
European Equities	20,442	(1,228)	211	19,425	
Global Equities	28,212	(950)	1,665	28,927	
Global Fixed Income	24,797	378	2,341	27,516	
Multi-Asset	4,890	(290)	299	4,899	
Alternatives <sup>3</sup>	13,644	52	576	14,272	
<b>Total Group</b>	<b>91,985</b>	<b>(2,038)</b>	<b>5,092</b>	<b>95,039</b>	

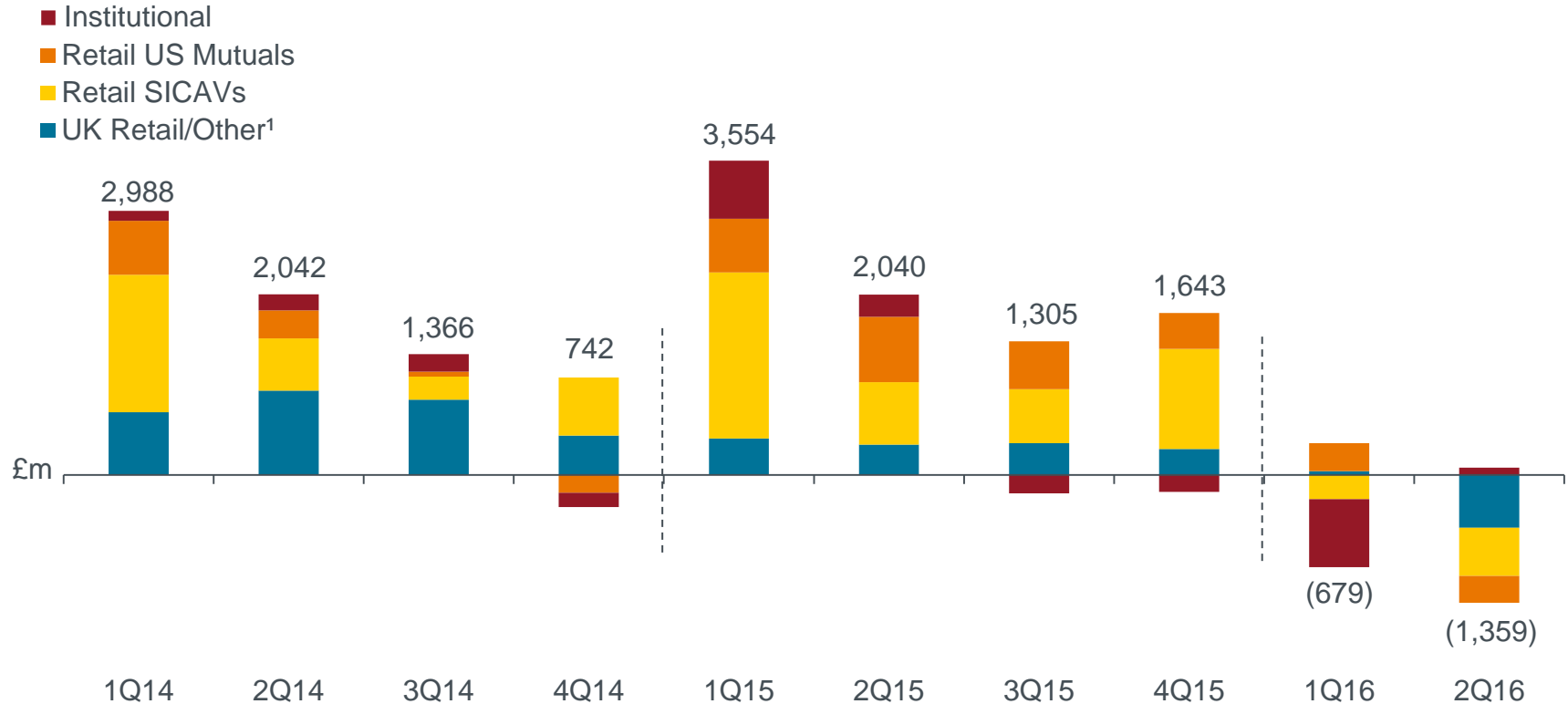
<sup>1</sup> Based on closing management fee bps excluding joint ventures and associates AUM

<sup>2</sup> AUM reported on a direct basis

<sup>3</sup> Alternatives includes Property and Private Equity



# Henderson net flows

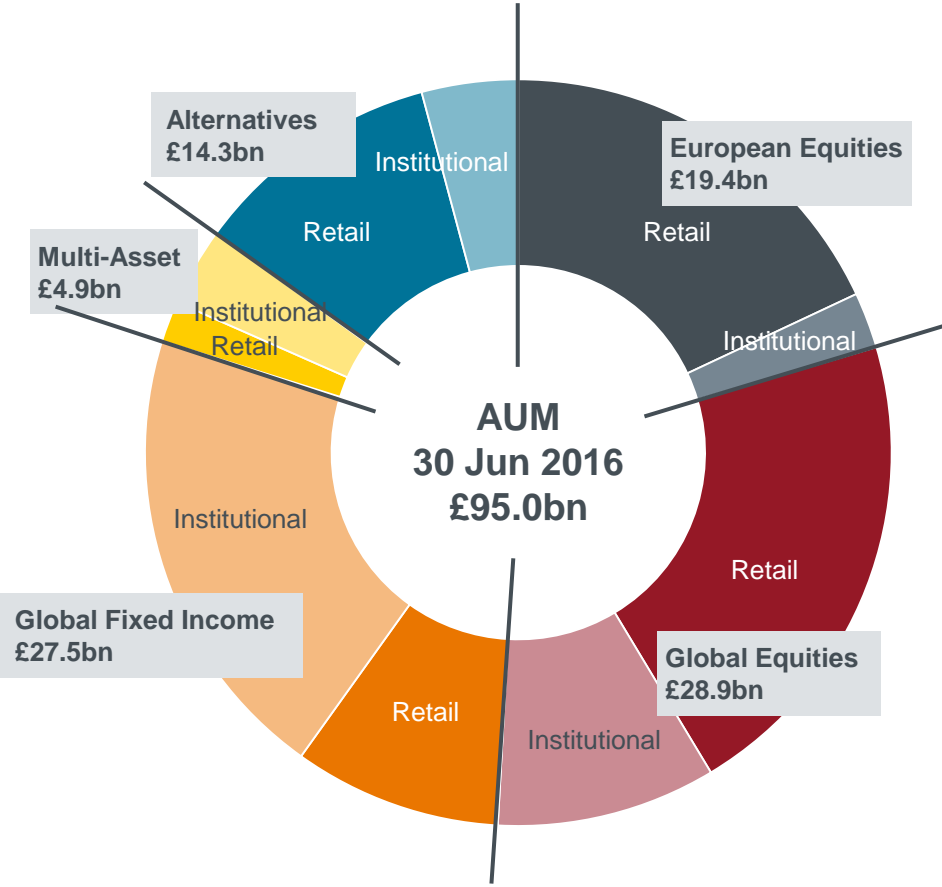


<sup>1</sup> Includes flows from UK OEICs, Unit Trusts, Investment Trusts, Australian Managed Investment Schemes, Singapore Mutual funds and Retail Segregated Mandates

# 16 Retail funds with AUM of £1bn+ at 30 Jun 2016

Fund	Fund range	Capability	1H16 net flows	AUM 30 Jun 2016
Henderson Gartmore Continental European	SICAVs	European Equities	(£189m)	£3.7bn
Henderson Gartmore UK Absolute Return	SICAVs	Alternatives	£731m	£3.7bn
Henderson UK Property PAIF	UK OEICs/UTs	Alternatives	(£425m)	£3.6bn
International Opportunities	US Mutuals	Global Equities	£66m	£3.5bn
Henderson Horizon Pan European Equity	SICAVs	European Equities	(£393m)	£3.2bn
Global Equity Income	US Mutuals	Global Equities	£244m	£2.9bn
Henderson Horizon Euro Corporate Bond	SICAVs	Global Fixed Income	(£99m)	£2.6bn
Henderson European Selected Opportunities	UK OEICs/UTs	European Equities	(£60m)	£2.2bn
European Focus	US Mutuals	European Equities	(£388m)	£2.1bn
Henderson Cautious Managed	UK OEICs/UTs	Global Equities	(£58m)	£2.1bn
Henderson Strategic Bond	UK OEICs/UTs	Global Fixed Income	£110m	£1.6bn
Henderson UK Absolute Return	UK OEICs/UTs	Alternatives	£576m	£1.5bn
Henderson Horizon Global Technology	SICAVs	Global Equities	(£338m)	£1.4bn
The City of London Investment Trust	Investment Trusts	Global Equities	£16m	£1.3bn
Henderson Horizon Pan European Alpha	SICAVs	Alternatives	(£395m)	£1.1bn
Henderson Horizon Euroland	SICAVs	European Equities	£147m	£1.0bn
<b>Total</b>			<b>(£455m)</b>	<b>£37.5bn</b>

# Investment management capabilities











- European Equities**
  - Diverse, high performance business
- Global Equities**
  - Strong specialist franchises, building high capacity global products
- Global Fixed Income**
  - Regional franchises with increasing global exposure
- Multi-Asset**
  - Dual track approach to serve retail and institutional markets
- Alternatives**
  - Expanding in liquid alternatives alongside traditional hedge funds

# European Equities

AUM: £19.4bn (Retail £17.1bn; Institutional: £2.3bn)  
1H16 net flows: (£1.2bn)

1 year outperformance: 45%  
3 years outperformance: 93%

Key funds	Product	Investment performance		Fund AUM	1H16 net flows
		1 year	3 years		
Henderson Gartmore Continental European	SICAV			£3.7bn	(£0.2bn)
Henderson Horizon Pan European Equity	SICAV			£3.2bn	(£0.4bn)
Henderson European Selected Opportunities	OEIC			£2.2bn	(£0.06bn)
European Focus	US Mutual			£2.1bn	(£0.4bn)

# Global Equities

AUM: £28.9bn (Retail £19.9bn; Institutional £9.0bn)  
1H16 net flows: (£1.0bn)

1 year outperformance: 59%  
3 years outperformance: 76%

Selected key desks	Desk AUM	Key funds	Product	Investment performance		Fund AUM	1H16 net flows
				1 year	3 years		
Global Equity Income	£9.4bn	Global Equity Income	US Mutual	●	●	£2.9bn	£0.2bn
		The City of London Investment Trust	Inv Trust	●	●	£1.3bn	£0.02bn
Asia <sup>1</sup> & GEMs	£3.5bn	Henderson China Opportunities	OEIC	●	●	£0.4bn	(£0.1bn)
Global Technology	£2.1bn	Henderson Horizon Global Technology	SICAV	●	●	£1.4bn	(£0.3bn)
Global Equity	£1.5bn	Henderson World Select	OEIC	●	●	£0.1bn	–
Multiple desks <sup>2</sup>		International Opportunities	US Mutual	●	●	£3.5bn	£0.07bn
Multiple desks <sup>2</sup>		Henderson Cautious Managed	OEIC	●	●	£2.1bn	(£0.06bn)













<sup>1</sup> Excludes Japan

<sup>2</sup> AUM is managed across multiple desks

# Global Fixed Income

AUM: £27.5bn (Retail £8.5bn; Institutional £19.0bn)  
1H16 net flows: £0.4bn

1 year outperformance: 63%  
3 years outperformance: 65%









Selected key desks	Desk AUM	1H16 net flows	Key funds	Product	Investment performance	
					1 year	3 years
Corporate Credit	£13.4bn	(£0.1bn)	Henderson Horizon Euro Corporate Bond	SICAV		
			All Stocks Credit Fund	OEIC		
Australian Fixed Income	£5.1bn	£0.3bn	Henderson Tactical Income Fund	Aus. MIS		
Secured Credit	£3.9bn	£1.0bn	Henderson Multi-Asset Credit Fund	Unit Trust		
Strategic Fixed Income	£3.3bn	£0.3bn	Henderson Strategic Bond	OEIC		
Diversified Fixed Income & Rates	£1.8bn	(£0.8bn)	Various absolute and total return institutional mandates	n/a		

Note: Following the launch of the Henderson Institutional Short Duration Bond Fund, some clients moved mandates managed by the Diversified Fixed Income & Rates desk to the Secured Credit desk. Net flow figures include these switches.

# Multi-Asset

AUM: £4.9bn (Retail £1.7bn; Institutional £3.2bn)  
1H16 net flows: (£0.3bn)

1 year outperformance: 47%  
3 years outperformance: 91%

Selected key funds	Product	Investment performance		Fund AUM	1H16 net flows
		1 year	3 years		
Institutional					
Henderson Diversified Growth Fund	OEIC			£0.2bn	(£0.01bn)
Henderson Diversified Alternatives	OEIC			£0.06bn	–
Retail					
All Asset	US Mutual			£0.03bn	–
Henderson Multi-Manager Income & Growth	OEIC			£0.4bn	(£0.02bn)

# Alternatives

AUM<sup>1</sup>: £14.3bn (Retail £10.3bn; Institutional £4.0bn)  
1H16 net flows: £0.1bn

1 year outperformance: 50%  
3 years outperformance: 72%

Selected key desks	Desk AUM	Key funds	Product	Investment performance		Fund AUM	1H16 net flows
				1 year	3 years		
Equities	£7.7bn	Henderson Gartmore UK Absolute Return	SICAV	●	●	£3.7bn	£0.7bn
		Henderson Horizon Pan European Alpha	SICAV	●	●	£1.1bn	(£0.4bn)
Property	£3.7bn	Henderson UK Property PAIF	OEIC/UT	●	●	£3.6bn	(£0.4bn)
Fixed Income	£0.8bn	Henderson Instl Absolute Return Bond	Unit Trust	●	●	£0.2bn <sup>2</sup>	(£0.02bn)
Commodities and Agriculture	£1.0bn	Various absolute return institutional mandates					

<sup>1</sup> Alternatives includes Property and Private Equity.

<sup>2</sup> The Henderson Institutional Absolute Return Bond AUM excludes cross holdings in other Henderson fixed income funds. This fund had a gross AUM of £1.0bn at 30 Jun 2016.



# Profit and loss

£m	1H16	1H15	Change	2H15	FY15
Management fees (net of commissions)	239.7	230.4	4%	237.9	468.3
Performance fees	20.1	48.8	(59%)	49.9	98.7
Other income	19.0	16.9	12%	17.9	34.8
<b>Net fee income</b>	<b>278.8</b>	<b>296.1</b>	<b>(6%)</b>	<b>305.7</b>	<b>601.8</b>
Income from associates and joint ventures	0.5	0.4	25%	(0.6)	(0.2)
Finance income	5.5	15.3	(64%)	2.0	17.3
<b>Net income</b>	<b>284.8</b>	<b>311.8</b>	<b>(9%)</b>	<b>307.1</b>	<b>618.9</b>
Fixed employee expenses	(55.7)	(47.6)	17%	(52.3)	(99.9)
Variable employee expenses	(67.0)	(84.3)	(21%)	(84.4)	(168.7)
Non-staff operating expenses	(58.3)	(56.7)	3%	(61.5)	(118.2)
<b>Total operating expenses</b>	<b>(181.0)</b>	<b>(188.6)</b>	<b>(4%)</b>	<b>(198.2)</b>	<b>(386.8)</b>
Finance expenses	(3.3)	(5.8)	(43%)	(6.3)	(12.1)
<b>Total expenses</b>	<b>(184.3)</b>	<b>(194.4)</b>	<b>(5%)</b>	<b>(204.5)</b>	<b>(398.9)</b>
<b>Total underlying profit before tax</b>	<b>100.5</b>	<b>117.4</b>	<b>(14%)</b>	<b>102.6</b>	<b>220.0</b>
Tax on underlying profit	(21.0)	(15.6)	35%	(7.3)	(22.9)
<b>Total underlying profit after tax</b>	<b>79.5</b>	<b>101.8</b>	<b>(22%)</b>	<b>95.3</b>	<b>197.1</b>
<b>Acquisition related and non-recurring items</b>					
Acquisition related items	(28.8)	(30.3)	(5%)	(29.3)	(59.6)
Non-recurring items	(3.3)	11.0	(130%)	(3.5)	7.5
Tax on acquisition related items	6.1	6.7	(9%)	6.0	12.7
Tax on non-recurring items	(0.4)	1.4	(129%)	2.1	3.5
<b>Total profit after tax</b>	<b>53.1</b>	<b>90.6</b>	<b>(41%)</b>	<b>70.6</b>	<b>161.2</b>

# Performance fees

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- Funds generating a performance fee: 29
- Performance fees as a percentage of net fee income: 7%

	1H16 £m	1H15 £m
SICAVs	6.7	26.6
Offshore Absolute Return Funds	2.9	7.8
Segregated Mandates	2.5	1.6
UK OEICs & Unit Trusts	5.6	8.0
Investment Trusts	1.3	4.0
Other	1.1	0.8
<b>Total performance fees</b>	<b>20.1</b>	<b>48.8</b>

# Performance fees

	UK OEICs & Unit Trusts	SICAVs	Investment Trusts	Offshore Abs. Return Funds <sup>1</sup>	Seg. Mandates/ Mgd CDOs/PE/ Australian MIS	Non-perf. fee ranges <sup>2</sup>	Total
AUM 30 Jun 2016 (£bn)	32.5	21.1	5.6	2.2	24.4	9.2	95.0
Performance fees gross 1H16 (£m)	5.6	6.7	1.3	2.9	3.6	–	20.1
Number of funds generating performance fees in 1H16 <sup>4</sup>	2	14	1	6	6	–	29
AUM 30 Jun 2016 generating 1H16 performance fees (£bn) <sup>4</sup>	1.6	4.2	0.4	0.3	2.1	–	8.6
<b>2H16</b>							
Number of funds with a 2H16 performance fee crystallisation date	4	2	6	15	39	–	66
AUM with performance fee crystallisation date in 2H16 (£bn) <sup>3</sup>	1.7	3.7	1.2	1.2	6.2	–	14.0
AUM with an uncrystallised performance fee (including at HWM) at 30 Jun 2016 vesting in 2H16 (£bn) <sup>4</sup>	–	–	0.3	0.6	n/a	–	n/a
AUM within 5% of an uncrystallised performance fee at 30 Jun 2016 vesting in 2H16 (£bn) <sup>4</sup>	1.7	3.7	0.8	0.4	n/a	–	n/a
<b>1H17</b>							
Number of funds with a 1H17 performance fee crystallisation date	4	26	2	10	15	–	57
AUM with performance fee crystallisation date in 1H17 (£bn) <sup>3</sup>	1.7	15.0	0.9	0.5	3.7	–	21.8
AUM with an uncrystallised performance fee (including at HWM) at 30 Jun 2016 vesting in 1H17 (£bn) <sup>3,4</sup>	–	0.6	0.4	0.2	n/a	–	n/a
AUM within 5% of an uncrystallised performance fee at 30 Jun 2016 vesting in 1H17 (£bn) <sup>3,4</sup>	–	4.3	0.5	0.1	n/a	–	n/a
<b>Performance fee details</b>							
Performance fee range (%) of outperformance	15-20%	10-20%	15%	10-20%	5-28%	–	
Performance fee frequency	Quarterly	24 annually, 2 quarterly	Annually	Annually	Quarterly and annually	–	
Performance fee timing	Various	24 at 30 Jun, 2 quarterly	Various	Various	Various	–	
Performance fee methodology	Relative/Absolute plus HWM	Relative plus HWM	Relative plus HWM	Absolute plus HWM	Bespoke	–	

n/a – not available; HWM – High Water Mark; PE – Private Equity

<sup>1</sup> Includes Hedge Managed Accounts

<sup>2</sup> Predominantly US Mutuals

<sup>3</sup> This excludes Offshore Absolute Return AUM of c.£0.1bn that earns a performance fee only on redemption

<sup>4</sup> For Offshore Absolute Return Funds, this excludes funds earning performance fees on redemption and only includes those with a period end crystallisation date

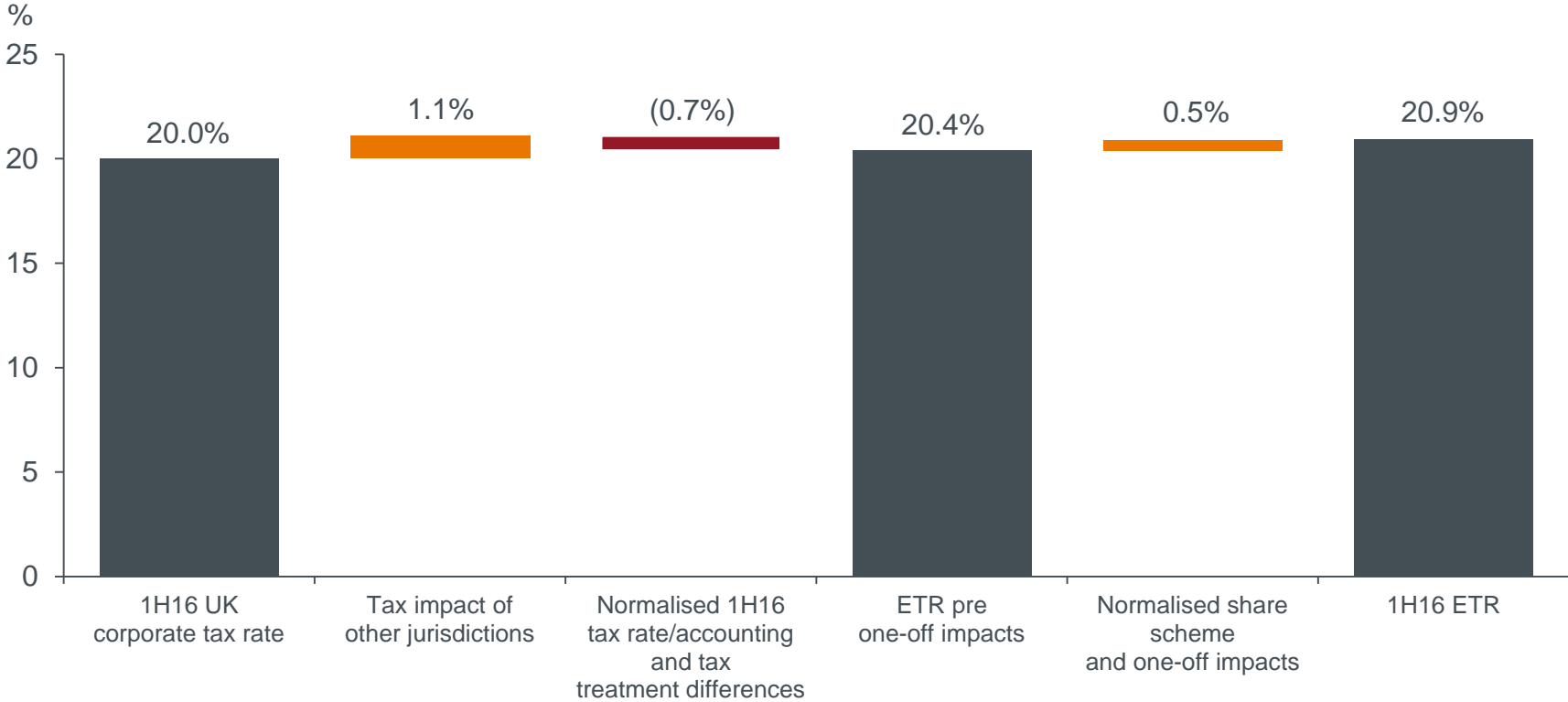
# Cost drivers

	1H16 £m	1H15 £m	Change
Fixed staff expenses	55.7	47.6	17%
Variable staff expenses	67.0	84.3	(21%)
<b>Total staff expenses</b>	<b>122.7</b>	<b>131.9</b>	<b>(7%)</b>
Non-staff operating expenses	58.3	56.7	3%
<b>Total operating expenses</b>	<b>181.0</b>	<b>188.6</b>	<b>(4%)</b>
Finance expenses	3.3	5.8	(43%)
<b>Total expenses</b>	<b>184.3</b>	<b>194.4</b>	<b>(5%)</b>

# Non-staff operating expenses

	1H16 £m	1H15 £m	Change £m	Change
Investment administration	17.1	15.4	1.7	11%
Information technology	11.7	9.8	1.9	19%
Office expenses	8.8	8.1	0.7	9%
Depreciation	2.6	2.6	–	–
Other expenses	18.1	20.8	(2.7)	(13%)
<b>Non-staff operating expenses</b>	<b>58.3</b>	<b>56.7</b>	<b>1.6</b>	<b>3%</b>

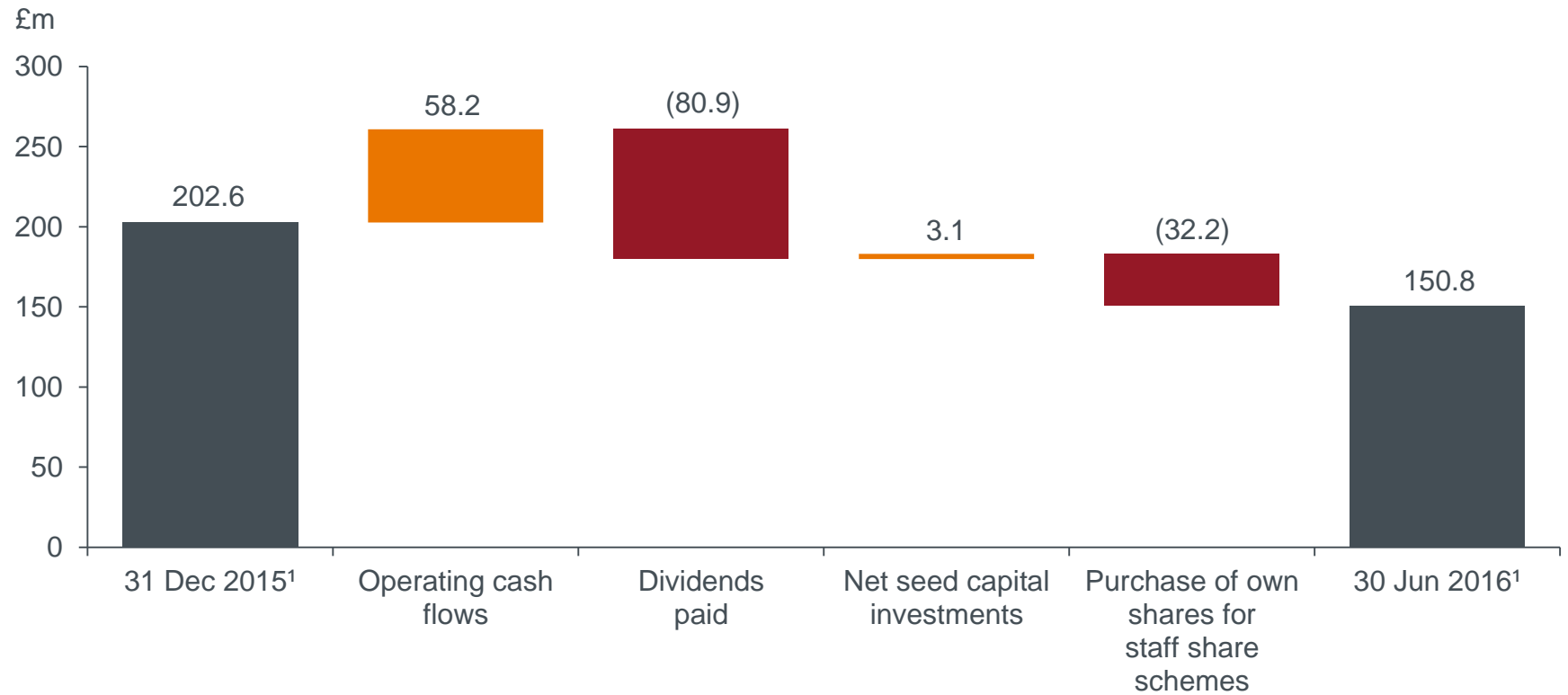
# Effective tax rate (ETR) movements



# EPS calculation

	1H16	1H15	2H15	FY15
Underlying profit before tax	£100.5m	£117.4m	£102.6m	£220.0m
Less: tax on underlying profit	(£21.0m)	(£15.6m)	(£7.3m)	(£22.9m)
<b>Total underlying profit after tax attributable to equity holders of the parent</b>	<b>£79.5m</b>	<b>£101.8m</b>	<b>£95.3m</b>	<b>£197.1m</b>
Acquisition related items post tax	(£22.7m)	(£23.6m)	(£23.3m)	(£46.9m)
Non-recurring items post tax	(£3.7m)	£12.4m	(£1.4m)	£11.0m
<b>Profit after tax attributable to equity holders of the parent</b>	<b>£53.1m</b>	<b>£90.6m</b>	<b>£70.6m</b>	<b>£161.2m</b>
Weighted average number of ordinary shares for the purpose of basic EPS (m)	1,089.0	1,095.4	n/a	1,093.1
Weighted average number of ordinary shares for the purpose of diluted EPS (m)	1,117.1	1,146.7	n/a	1,143.0
<b>Basic EPS based on underlying profit after tax</b>	<b>7.3p</b>	<b>9.3p</b>	<b>8.7p</b>	<b>18.0p</b>
<b>Diluted EPS based on total underlying profit after tax</b>	<b>7.1p</b>	<b>8.9p</b>	<b>8.3p</b>	<b>17.2p</b>

# Net cash generation



<sup>1</sup> Net cash amounts exclude non-Group cash held in manager dealing accounts and cash held by consolidated funds



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This presentation contains forward-looking statements with respect to the financial condition, results and business of the Group. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend on circumstances, that may or may not occur in the future. There are a number of factors that could cause the Group’s actual future performance and results to differ materially from the results expressed or implied in these forward-looking statements. The forward-looking statements are based on the Directors’ current view and information available to them at the date of this presentation. The Group makes no undertaking to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. Nothing in this presentation should be construed as a profit forecast.