EDISON

Henderson Global Trust

Quarterly dividends, fully global benchmark

Investment trusts

Henderson Global Trust (HGL) is a global equities investment trust. Its broadly defensive positioning served it well through the onset of the financial crisis, contributing to strong performance over five and 10 years. More recently some of that outperformance has been surrendered while the manager retains a relatively defensive position given his view of the significant macro risks global markets face. A quarterly dividend policy was adopted in 2012 and from 1 June 2013, HGL's benchmark changed to the MSCI All Country World Index. This has seen an ongoing reduction in the UK allocation, primarily in favour of US and emerging market stocks.

12 months ending	Total share price return*(%)	Total NAV return* (%)	Total return blended benchmark* (%)	Total return MSCI AC World* (%)
30/09/10	12.1	11.8	10.6	8.2
30/09/11	(8.9)	(4.0)	(3.5)	(6.5)
30/09/12	8.2	15.3	17.7	10.9
30/09/13	17.2	15.1	17.8	17.3

Note: *Twelve-month rolling discrete performance. HGL's blended benchmark index is a composite of 50% FTSE All-Share Index and 50% MSCI World Ex-UK until 31 May 2013 and the MSCI All Country World Index thereafter.

Investment strategy: Large & mid-cap global equities

HGL is a global fund that invests in larger and medium-sized companies listed on the major equity markets. It maintains a portfolio of between 50 and 80 stocks and is managed using a mixture of top-down and bottom-up strategies. Gearing, up to a maximum of 25% of net assets, is used when it is expected to enhance returns, although current net gearing is -2.6% (15 October 2013).

Outlook: Sentiment improving, valuations average

Despite market volatility, global equities have provided a positive performance over the past year, with the MSCI All-Countries World Index up 19.2% in total return terms. There is evidence to suggest the global macro outlook is improving, but the recent tick up in volatility is a reminder that considerable uncertainty remains. The manager is positive on equities as an asset class, over the medium to long term, particularly given the yields available on gilts and bonds but considers that considerable challenges remain and is taking a cautious approach to equity markets. Reflecting this, the portfolio retains its relatively defensive positioning (beta = 0.93) and the manager continues to favour companies with strong cash generation, defensive earnings and strong franchises. The current market P/E of the Datastream World Market Index, at 16.2x, is in line with long-run averages.

Valuation: Discount above longer-term averages

The cum-fair discount of 10.1% is modestly above its three- and five-year averages of 9.0% and 7.1% respectively, and towards the top end of its one-year range (3.1% to 13.2%). HGL's discount is also greater than the global growth sector average of 7.8%, which arguably reflects softer recent performance. HGL's one-year NAV Sharpe ratio is in line with the sector average (1.5% vs 1.6%) while HGL's yield is above the sector average (2.8% vs 2.0%).

25 October 2013

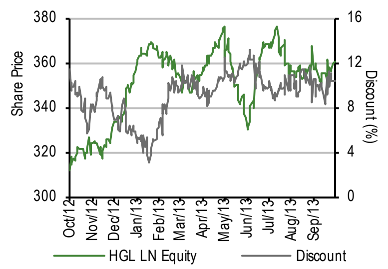
Price	**362.5p**
Market cap	**£144m**
AUM	**£161m**

NAV*	400.3p
Discount to NAV	9.4%
NAV**	403.4p
Discount to NAV	10.1%
Yield	2.8%

*Adjusted for debt at market value and excluding income, as at 23 October 2013. **Adjusted for debt at market value, including income, as at 23 October 2013.

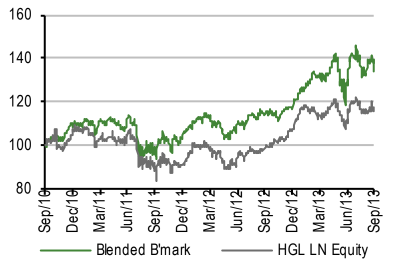
Ordinary shares in issue	39.8m
Code	HGL
Primary exchange	LSE
AIC sector	Global Growth

Share price/discount performance



Positive values indicate a discount; negative values indicate a premium.

Three-year cumulative perf. graph



52-week high/low	376.5p	312.0p
NAV* high/low	416.2p	337.4p

*Adjusted for debt at market value, excluding income.

Gearing

Gross	0.6%
Net	(2.6%)

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Edison profile page

Henderson Global Trust is a research client of Edison Investment Research Limited

Exhibit 1: Trust at a glance

Investment objective and trust background

Henderson Global Trust's objective is long-term capital growth from a concentrated portfolio of international equities, with a secondary objective to increase dividends. The manager aims to outperform the MSCI All Countries World Index. HGL's blended benchmark index is a composite of 50% FTSE All-Share Index and 50% MSCI World Ex-UK until 31 May 2013 and the MSCI All Country World Index thereafter.

A least 60% of HGL's portfolio, by value, must be in holdings that do not individually exceed 5% of the value of total assets (excluding gilts and certain investment company holdings). HGL will not invest more than 15% of gross assets in other UK-listed investment companies, or more than 10% of its assets in companies that themselves may invest more than 15% of their gross assets in UK investment companies.

Recent developments

19 September 2013: Interim results for the year ending 31 January 2014 released.

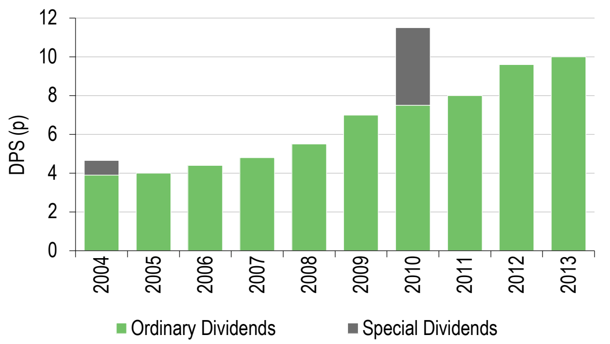
2 September 2013: Second quarterly dividend declared at 2.5p, paid on 1 October 2013.

1 June 2013: Benchmark changed to MSCI All Country World Index.

Forthcoming		Capital structure		Fund details	
AGM	May 2014	Ongoing charges	0.98%	Group	Henderson Global Investors
Preliminary results	April 2014	Net gearing	(2.6%)	Manager	Brian O'Neill
Year end	31 January	Annual management fee	0.6% first £200m total assets, excess 0.35%; no perf. fee	Address	201 Bishopsgate, London EC2M 3AE
Dividend paid	Quarterly				
Launch date	February 1929	Trust life	Indefinite	Phone	+44 (0) 20 7818 1818
Continuation Vote	None – see page 7	Loan facilities	£20m overdraft facility	Website	www.hendersonglobaltrust.com

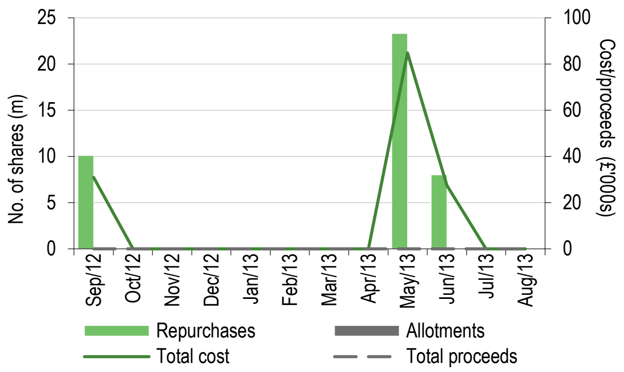
Dividend policy and history

Quarterly dividends paid in July, October, January and April. The dividend is expected to rise over the longer term.

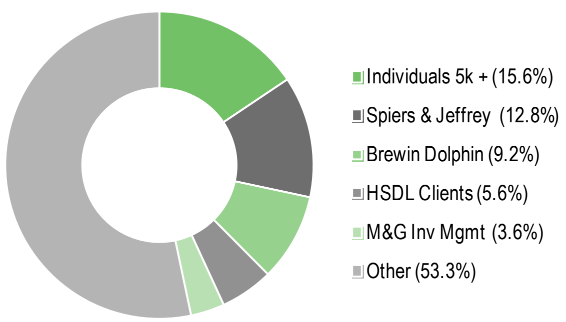


Share buyback policy and history

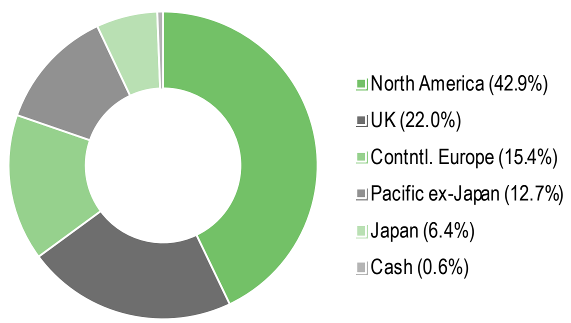
Renewed annually, the trust has authority to purchase up to 14.99%, and allot up to 10% of issued share capital.



Shareholder base (as at 30 September 2013)



Distribution of portfolio (as at 31 August 2013)



Top 10 holdings (as at 31 August 2013)

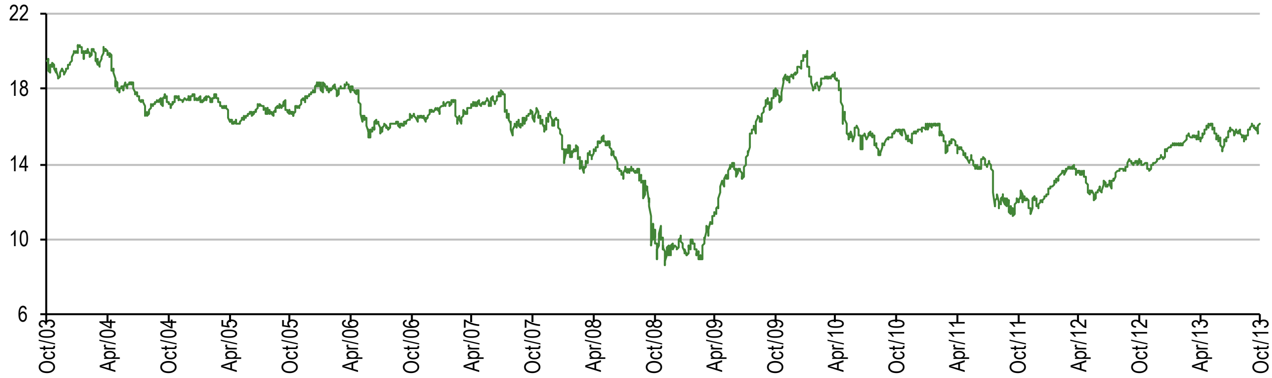
Company	Country	Sector	Portfolio weight % 31 August 2013	Portfolio weight % 28 February 2013	Active weight % 31 August 2013
Novartis	Switzerland	Medical-Drugs	3.1	2.9	2.5
Nestle	Switzerland	Food-Misc/Diversified	2.8	3.4	2.6
Macy's	US	Retail-Disc/Dept Stores	2.8	N/A	2.1
Japan Tobacco	Japan	Consumer /Tobacco	2.5	N/A	2.0
HSBC	UK	Financials/Banks	2.3	3.4	1.6
Wharf Holdings	Japan	Multi Asset Real Estate	2.2	2.7	2.4
Oracle	US	Enterprise Software	2.1	2.4	2.2
GlaxoSmithKline	UK	Large Pharmaceuticals	2.1	2.4	1.7
Pfizer	US	Large Pharmaceuticals	2.1	N/A	2.2
BorgWarner	US	Automotive/Auto Parts	2.1	N/A	1.9
Top 10			**23.2**	**29.2**	
Cash			**2.8**	**1.6**	

Source: Henderson Global Trust, Edison Investment Research

Outlook: Sentiment improving? Valuations average

Despite periods of market volatility, global equities have provided a positive performance over the past year, with the trust's benchmark, the MSCI All-Country World Index, up by 18.0% over 12 months. While there is evidence to suggest the global economic outlook is improving, considerable uncertainty remains. More bearish investors can point to low growth in Europe, US fiscal deficits, the potential destabilising effects of quantitative easing and its removal, and falling growth in emerging markets as negative factors for global equities. More bullish investors can point to progress being made in the US economy, signs that Japan may be moving away from its deflationary past, and the ECB's ongoing commitment to support the eurozone as supportive of global equities. While there is variation within markets and regions, in historical terms, average P/E valuations for global equities do not look overstretched (see Exhibit 2). Currently at 16.2x (17 October 2013), the average P/E ratio over the past 10 years for the Datastream World Market Index is 15.6x.

Exhibit 2: Datastream World Market Index P/E over 10 years



Source: Thomson Datastream

Fund profile: Global equity exposure

Brian O'Neill, senior investment manager, has led the management of HGL since 1983. May 2013 saw shareholders approve changes simplifying HGL's policies regarding its asset allocation, risk diversification and benchmark. This reflects a trend towards clearer structures post RDR. Previously, HGL maintained a focused portfolio of larger and medium-sized companies listed on the major equity markets, with a core of around 40 stocks (c 80% of the portfolio), as well as a trading subsidiary used for short-term opportunities. HGL continues to hold stocks of large and medium companies, listed on major equity markets, but the emphasis on maintaining a core portfolio is now removed. HGL's benchmark changed from being a composite of 50% FTSE All-Share and 50% MSCI World Ex-UK to the MSCI All Country World Index on 31 May 2013. A c £30m programme trade was performed on 1 June, to move the portfolio's allocations towards those of the new benchmark, although the process is ongoing. The UK allocation has been reduced in favour of the US and emerging markets. In addition, the formal aim to outperform the benchmark by at least 2%, with a tracking error of not more than 5% has been removed.

The manager: Brian O'Neill

The manager's view: Cautious on global equity markets

The manager remains positive on equities, over the medium to long term, particularly given the yields available on gilts and bonds but recent volatility highlights that considerable uncertainty remains and, while valuations are not unduly stretched, the manager believes considerable challenges remain and is taking a cautious approach to equity markets. Reflecting this, the portfolio retains its defensive positioning (beta = 0.93). Uncertainty regarding government finances and the growth outlook in the US, particularly given a lack of real wage growth and a historically low participation rate, has led the manager to defer the adoption of a full US weighting following the benchmark change. Similarly, the manager considers that emerging markets are overrated as an asset class, given tempered growth prospects, foreign exchange risk and in many cases difficult balance of payments situations. He does not currently wish to increase the trust's exposure significantly, but may consider adding on a further correction. He has become positive on Japan but believes that both consumers and corporates need to adjust to the new environment and that corporates will be slow to change; the Japanese underweight reflects a view that it is difficult to find good Japanese companies with compelling growth stories.

General retailers continue to be avoided because of concerns over pressure on margins and luxury retailers, able to differentiate their products, continue to be favoured. Mining companies, previously underweight due to poor growth prospects, have moved to a more neutral position reflecting a belief that increased capital discipline will drive profitability even in the absence of strong Chinese demand.

The manager notes that companies have generally responded positively to the challenges of the past five years, such that corporate profit margins are high and in aggregate balance sheets are strong. These factors have helped support strong dividend growth during the last two years and while he still expects to see decent dividend growth, this is likely to be at a lower level. In this environment he continues to favour companies with strong cash generation, defensive earnings and strong franchises that will provide the strongest opportunity to maintain or increase dividends.

Asset allocation

Investment process: Bottom-up with a top-down overlay

HGL is managed using an investment style that combines top-down and bottom-up analysis. Top-down analysis is used to assess the level of gearing used by the fund in rising markets and the degree of liquidity employed during falling markets. In terms of idea generation, the manager has access to a variety of sources including Henderson's global team, regional teams, boutiques and dealers, as well as its quantitative screening processes. Having identified a theme and potential stocks, the global team conducts further analysis using the following criteria:

- Industry analysis – Porter's five forces analysis is employed to assess the environment in which a company operates and to identify relevant factors for change.
- Franchise analysis – Companies are assessed to identify those that are best positioned in the prevailing market environment. These may not always be 'the best' companies in a sector.
- Valuation – The industry and franchise analysis are then used to produce earnings estimates, price targets and recommendations, which focus on outcomes that the market does not expect.

The manager then reviews the analysis and makes the final investment decision, taking into account the risk impact on the portfolio. Stocks are monitored to ensure the level of holding remains appropriate. Once a price target is reached, the stock is reviewed and the holdings will either be sold entirely or will be reduced, taking profits, and a new price target set. The manager believes that managing a global fund using a bottom-up strategy based purely on best ideas cannot make sufficient allowance for risk. The trust maintains a portfolio of c 80 stocks, as the manager believes the inclusion of too many stocks makes it impossible to monitor positions properly.

Overview: Global equity portfolio

As at 15 October 2013, HGL had 78 equity investments. The top 10 holdings account for c 23% of the portfolio, cash 3.2%, with the remaining 68 equity investments accounting for c 74% of the portfolio.

As displayed in Exhibits 3 and 4, HGL's asset allocations can vary significantly from those of the benchmark. It is not trust policy to hedge currency exposure back into sterling.

Exhibit 3: Sector allocations as at 15 October 2013

	Portfolio weight (%)	Benchmark weight (%)	Trust active weight (%)	Trust weight/ benchmark weight
Consumer discretionary	15.4	11.8	3.6	1.31
Telecommunication services	6.4	4.2	2.2	1.52
Consumer staples	11.5	9.9	1.6	1.16
Healthcare	9.8	10.0	(0.2)	0.98
Energy	9.5	9.9	(0.4)	0.96
Materials	5.6	6.2	(0.6)	0.90
Financials	21.0	21.9	(0.9)	0.96
Industrials	8.6	10.7	(2.1)	0.80
Utilities	1.0	3.3	(2.3)	0.30
Information technology	8.0	12.1	(4.1)	0.66
Cash	3.2	0.0	3.2	N/A
	100.0	**100.0**	**0.0**	

Source: Henderson Global Trust, Edison Investment Research

Exhibit 4: Geographic allocations as at 31 August 2013

	Portfolio weight (%)	Benchmark weight (%)	Trust active weight (%)	Trust weight/ benchmark weight
UK	20.5	8.1	12.4	2.53
Developed Asia Pacific Ex-Japan	13.0	5.5	7.5	2.36
Japan	6.6	8.0	(1.4)	0.83
Developed Europe Ex-UK	12.9	16.6	(3.7)	0.78
Global emerging markets	2.2	10.7	(8.5)	0.21
North America	40.8	51.1	(10.3)	0.80
Other	0.8	0.0	0.8	0.8
Cash	3.2	0.0	3.2	N/A
	100.0	**100.0**	**0.0**	

Source: Henderson Global Trust, Edison Investment Research

Recent activity and current portfolio positioning

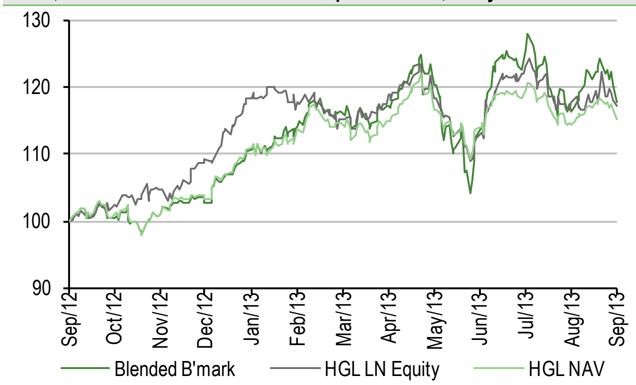
The bulk of recent portfolio changes reflect the transition towards the new benchmark. The differences in geographic allocations are limited with the key changes being a reduction in the UK allocation in favour of US stocks. The continuation of the transition will see an increased allocation to both US and emerging market stocks. Reflecting the manager's view, the transition is ongoing, and so HGL is currently overweight the UK, underweight the US and underweight emerging markets although, over time, the manager expects these allocations to move to more neutral positions. HGL's largest overweight remains consumer discretionary, reflecting investments in autos and luxury goods (in areas the manager considers are income inelastic). The largest active underweight is information technology, although the manager highlights that there are holdings such as Samsung that are classified as industrials but have a substantial tech exposure. The trust continues to be underweight industrials as well, as the manager believes the stocks broadly look expensive given their growth prospects. In terms of portfolio changes, the manager has added electric components supplier Legrande, which he expects will benefit from industry consolidation. Elsewhere, a number of UK stocks have been replaced with equivalent US companies, eg Bristol-Myers Squibb has replaced AstraZeneca. Other additions include IBM, GE, Occidental and Google, where the manager particularly likes their cash flow generation and dominant industry positions.

Performance: Recent weakness

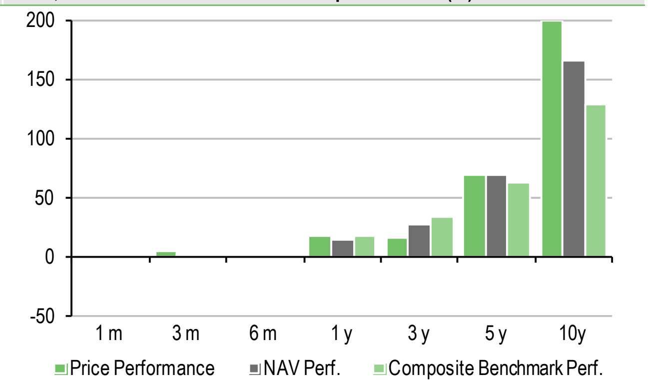
As illustrated in Exhibit 7, HGL provided a strong relative performance during the financial crisis (Q408 and Q109) reflecting its defensive positioning. However, gentle yet persistent underperformance during the past two years has eaten into the trust's longer-term performance record. This partly reflects the portfolio's defensive positioning during a period in which markets have broadly rallied. Over the longer term the manager's strategy has tended to outperform in difficult markets while underperforming in rising markets. The manager also highlights a number of holdings that have reacted adversely to negative news and have had been key detractors to relative performance. Specifically, JPMorgan's 'London Whale', Standard Chartered's Iranian scandal, Barclays and the Libor scandal as well as Burberry's profit warning.

Exhibit 5: Investment trust performance to 30 September 2013

Price, NAV and benchmark total return performance, one year rebased



Price, NAV and benchmark total return performance (%)



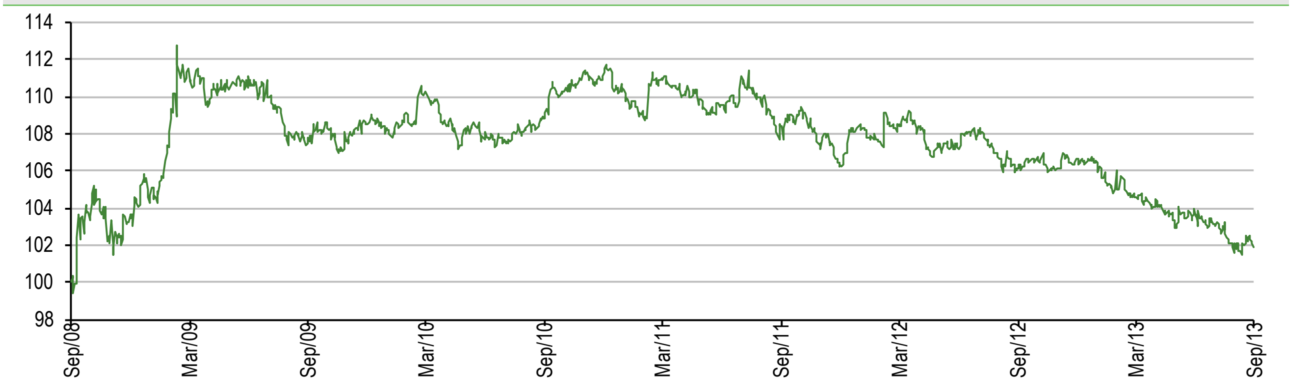
Source: Henderson Global Trust, Thomson Datastream, Edison Investment Research

Exhibit 6: Share price and NAV total return performance, versus benchmarks (% points), to 30 September 2013

	One month	Three months	Six months	One year	Three years	Five years	Ten years
Price versus to blended benchmark	(0.9)	3.2	0.4	(0.6)	(18.4)	7.0	71.9
NAV versus to blended benchmark	0.0	0.0	(0.8)	(2.7)	(6.5)	6.1	38.1
Price versus to MSCI All Countries World	0.8	(0.5)	(1.4)	(1.0)	(17.0)	(7.9)	67.2
NAV versus to MSCI All Countries World	(0.3)	(0.0)	(0.7)	(3.8)	(6.9)	(2.6)	30.5

Source: Henderson Global Trust, Thomson Datastream, Edison Investment Research. Note: HGL's blended benchmark index is a composite of 50% FTSE All-Share Index and 50% MSCI World Ex-UK until 31 May 2013 and the MSCI All Country World thereafter.

Exhibit 7: HGL NAV total return vs blended benchmark total return, over five years, rebased to 100



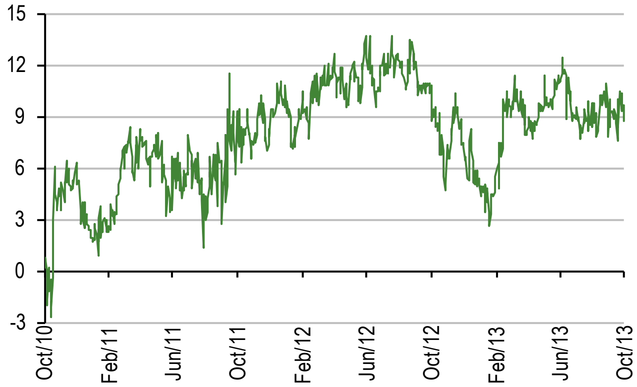
Source: Henderson Global Trust, Thomson Datastream, Bloomberg, Edison Investment Research

Discount: Widened during the last three years

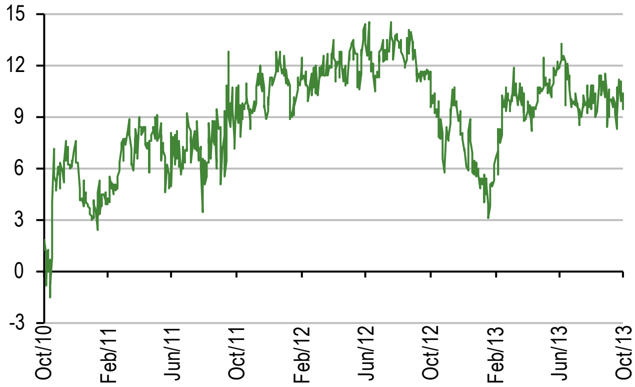
The board regularly reviews the level of the discount, in absolute terms and with reference to peers and, while there is not a hard discount target, the board aims "to restrict the discount from rising much above 8%". Exhibit 8 shows the discount of the trust over the last three years. The sharp move in November 2008, which saw HGL shift from trading at a c 3% premium to c 6% discount, coincided with the announcement of a strategic review of the then investment manager (Gartmore Group), which created uncertainty around HGL's future. The subsequent contraction at the beginning of 2011 coincided with the announcement of Henderson's takeover of Gartmore Group, providing some clarity over the future management of the trust. HGL provided a strong relative performance during the onset of the financial crisis but, between February 2009 and 2011, the trust experienced periods of outperformance and underperformance that broadly offset one another and since February 2011 has seen persistent gentle underperformance, which may have provided the conditions for a widening of the discount. HGL announced the introduction of quarterly dividend payments in May 2012, commencing in July 2012, which may have contributed to the subsequent narrowing of the discount, although this has since reverted to its longer-term averages. The cum-fair discount of 10.1% is modestly above its three-year averages of 9.0% and 7.1%, respectively.

Exhibit 8: Discount/premium over three years

Discount/premium calculated with NAVs, excluding income*



Discount/premium calculated with NAVs, including income*



Source: Thomson Datastream, Edison Investment Research. Note: *Positive values indicate a discount; negative values a premium.

Capital structure: Conventional

HGL is a conventional trust with two classes of security in issue, 25p ordinary shares and 3.75% cumulative preference stock. The preference stock (£1m in issue), which can be redeemed at par with no fixed redemption date, is purely a means of gearing up the trust. HGL is permitted to gear up to 25% of the trust's net assets, although gearing would not normally be expected to exceed 15%; HGL has a £20m overdraft facility, currently unutilised. As at 15 October 2013 HGL has gross gearing of 0.6%. However, the portfolio's cash element offsets this and HGL has net gearing of -2.6%.

The management fee is 0.6% per annum of the first £200m of total assets and 0.35% per annum of the excess. There is no performance fee and the management contract can be terminated at three months' notice by either side. Ongoing charges were 0.98% for the year ended 31 January 2013 (0.90% for the year ended 31 January 2012). HGL's ongoing charges rank 15th out of 35 when compared to its peers (see Exhibit 9 for peer group comparison). HGL does not have a fixed life and there is no specific mechanism to wind up the company.

Dividend policy: Quarterly and progressive

HGL pays quarterly dividends, of similar amounts, and seeks to provide shareholders with long-term growth in total dividends. Dividends are paid in July, October, January and April, and for the year ended 31 January 2013 HGL paid a total dividend of 10.0p (2012: 9.6p). While the 2012 dividend was fully covered, the 2013 dividend of 10p required a small drawn down from HGL's revenue reserve as revenue income during the year was 9.57p. Reflecting the shift away from UK stocks, the yield on the new benchmark of 2.6% (as at 1 October 2013) is appreciably below that of HGL's old composite benchmark of 3.1%. A consequence of this is that the manager expects that, in the short term, revenue income will be less than the current dividend level. However, the manager sees good prospects for dividend growth and expects the dividend will once again be covered in two to three years. In the meantime, HGL has c 2.8 years of revenue reserves that can be drawn upon. As at 31 July 2013, HGL had revenue reserves of 29.76p per share or 27.26p after payment of the second quarterly dividend for the year of 2.5p. This is equivalent to 2.7x the total dividend for the year ended 31 January 2013. Therefore, we expect HGL should at least be able to maintain the dividend for the year ending 31 January 2014 while retaining some capacity to smooth dividends. HGL has maintained or increased its dividend each year since 1993, a compound increase of 7.4% during the 20-year period, and well ahead of inflation of 2.9% pa.

Peer group comparison

Exhibit 9 provides a peer group comparison for the global growth sector, of which there are 35 constituents (a sample is given below). Within this peer group HGL ranks 22nd over one year, 25th over three years and 19th over five years when considering share price total return. In terms of risk-adjusted returns, HGL has the 26th highest one-year Sharpe ratio for price, and 24th highest one-year Sharpe ratio for NAV in its peer group.

Exhibit 9: Global growth sector, as at 23 October 2013

Company	Share price total return on £100 One year	Three years	Five years	Ongoing charges (%)	(Discount) /premium	Net gearing (100=no gearing)	Five-year dividend growth (%)	Dividend yield	Sharpe ratio NAV One year	Sharpe ratio price One year
Sector average	**126.1**	**135.5**	**216.7**	**0.7**	**(7.8)**	**105.4**	**9.2**	**2.0**	**1.6**	**1.5**
Henderson Global	**119.6**	**114.9**	**198.0**	**1.0**	**(9.9)**	**98.0**	**7.4**	**2.8**	**1.5**	**1.2**
Alliance Trust	121.3	133.9	208.9	0.7	(13.4)	112.0	3.9	2.2	1.5	1.5
Bankers	135.1	165.1	229.3	0.5	0.2	102.0	5.0	2.4	1.9	2.5
Edinburgh Worldwide	142.5	146.9	281.6	1.0	(8.9)	107.0	0.0	0.5	1.7	2.3
F&C Global Smaller Co's	139.5	176.4	328.2	0.8	1.1	98.0	5.9	0.8	2.4	2.6
Foreign & Colonial	122.1	135.9	199.5	0.6	(10.4)	110.0	6.9	2.4	1.6	1.7
Independent	128.6	143.6	253.6	0.4	(8.5)	92.0	0.0	1.9	1.9	2.1
JPMorgan Overseas	125.2	116.0	249.7	0.7	(8.0)	107.0	5.5	1.6	1.4	1.5
Law Debenture	134.4	179.9	297.5	0.5	12.7	104.0	3.2	2.7	2.3	2.4
Martin Currie Global Portfolio	121.3	151.8	211.3	0.8	0.1	98.0	2.2	2.4	1.5	1.5
RIT Capital Partners	114.6	113.6	125.9	0.6	(10.1)	105.0	47.6	2.3	1.5	0.5
Witan	134.4	143.0	228.8	0.7	(8.1)	109.0	5.3	2.1	1.9	1.9

Source: Morningstar

The board

All directors are non-executive and independent of the investment manager. They are: Richard Stone (chairman), Miriam Greenwood, Victoria Hastings, Richard Hills and Lance Moir. The average length of service is 7.6 years. Directors retire and stand for re-election at least every three years.