

News Release

19 August 2010

Henderson views that global property equities are on the road to recovery

After the bursting of the bubble and a near-death experience post-Lehmans, property equities around the world are in the early stages of a recovery, according to Henderson Global Investors (“Henderson”) a leading independent global asset management firm with over US\$93.8 billion of assets under management (as at 31 December 2009).

“The recovery in property share prices over the last year has been spectacular (+100%). But the global index is still below its pre-Lehman level of September 2008 and 35% below its peak of February 2007. The physical property markets of the developed world are still suffering from weak tenant demand, even if financial markets and investor demand have returned to something near normal,” says London-based Patrick Sumner, who heads the Property Equities team at Henderson.

According to Mr Sumner, over-leverage is not a major threat. The huge volume of debt taken on by investors in the last cycle is certainly bad news for some borrowers and banks and will take several years to unwind. But predictions of large numbers of distressed sellers and plunging values are wide of the mark. Not only are lenders taking their time to deal with issues in an orderly fashion, but demand for solid investments is strong and prices for prime assets are moving up. REITs are generally among the least leveraged investors and are therefore able to take advantage of the attractive opportunities that emerge. It is a mistake to imagine that the debt problem will result only in losers.

We are in the very early stages of a real estate market recovery, and property share prices are currently at fair value or, in the fundamental context, could even be considered a little cheap. Given the relatively slow start, we believe that this real estate cycle is likely to last longer than previous cycles, but at least we do not have to deal with an oversupply of new space, such as in the early 1990s. When the economy turns up, rental growth should therefore follow quickly.

US REITs are trading at a 5-15% premium, but this is reasonable when values are rising. The various economic indicators coming out of the US are generally positive, and underlying demand appears to be stronger than expected. Europe is trading at a small discount, but with big differences between stocks. On balance we prefer the UK for a stronger London office market, but European stocks have higher dividends. In Asia the range is between Japan, which is in the doldrums, and China, where investors are afraid of policy tightening. Property stocks are trading at discounts, which suggest good value, but investor sentiment remains lukewarm.

The Henderson Horizon Global Property Equities Fund currently has a small overweight in Asia, where we see the strongest economic growth prospects, most notably in China, Hong Kong and Singapore. In Europe, the focus continues to be on the Northern European markets of the UK, France and Sweden. In North America, the Fund maintains neutral sector bets, and within these groups we have a preference for niche property types like lab/life science space, data centres and apartment REITs.

“The Central London office market shows promise in 2010. Financial institutions recovered quickly from the credit crisis, some are now looking to expand and others will move as their leases expire. The shortage of high quality, large floorspace is likely to put upward pressure on rental levels over the next three years,” says Mr Sumner.

“In occupier markets, there are areas of Europe that are recovering more quickly than others. Sweden’s economy has shown significant resilience during the downturn. The situation is now improving, with GDP increasing and unemployment decreasing. Occupier markets are robust, not only in Stockholm, but also in Malmö in the South”, added Mr Sumner.

News release



Concluded Mr Sumner: "Stock-picking is critical. Investors are not rushing into property stocks, partly because of general uncertainty, partly because of the painful memory of the recent bubble. The legacy of the crash is, however, not symmetrical, and some operators will benefit from the distress of others. There will certainly be further opportunities to find good value while the sector remains unloved. Investors can still benefit from investing in property as part of a diversified asset mix."

Henderson offers a suite of three property funds consisting of Henderson Horizon Asia-Pacific Property Equities Fund, Henderson Horizon Pan European Property Equities Fund and the Henderson Horizon Global Property Equities Fund, with US\$1.4 billion of assets under management (as at 30 June 2010). The award-winning Henderson Horizon Global Property Equities Fund has seen net inflow of US\$260 million since the start of 2009.

Key investment risks to be considered before investing

- The property equity funds do not invest in real estate directly but primarily invests in equity securities and equity instruments of companies or REITs (or its equivalent) which engaged in real estate businesses.
- Investments in the funds are exposed to property-sector specific risk and varying degree of risks to economic, political, regulatory and social development changes in the respective region which the funds invest in.
- The funds may invest substantial sum of its assets in companies located in a single country (including emerging markets, eg China) and may involve a higher concentration of risk and market volatility, including liquidity risks for investments in emerging markets, than funds investing in developed markets and following a more diversified policy.
- Investments in the funds involve varying degree of investment risks (eg market, legal, financial, interest rate, currency, etc). In extreme market conditions, you may lose your entire investment in the funds.
- The funds may not be suitable for all investors. You should not invest unless the intermediary who sells it to you has advised you that the product is suitable for you and explained how it is consistent with your investment objectives.

Note: You should not make investment decisions based solely on marketing material. The above investment risks summary may not have set out all the risks and other significant aspects involved in investing in the Fund. You should read the Prospectus of the Fund for more details of the investment risks and seek independent professional advice where appropriate.

Important Information

This document has been prepared by Henderson Global Investors (Singapore) Limited, who is the Singapore Representative of the Henderson Horizon Fund (the "Fund"), and is distributed by authorised distributors. **The information contained in the document has not been reviewed or endorsed by the MAS. The prospectus of the Fund is available and may be obtained from the Singapore Representative's office and the participating distributors' offices. Investors should read the prospectus before deciding whether to invest in the units of the Fund. Investments in the Fund are subject to investment risks, including the possible loss of the principal amount invested. Past performance of any fund, a security, an investment or manager and any forecast made are not necessarily indicative of the future or likely performance of the fund, the security, investment or manager. The value of the units and the income from the Fund may fall as well as rise. Investments in and the rate of return for the Fund are not obligations of, deposits in, guaranteed or insured by Henderson Global Investors or any of its affiliates or appointed distributors. The information is strictly for information purposes only and should not be construed as an offer or solicitation to deal in the Fund and is prepared without consideration to the specific investment objective, financial situation and particular needs of any specific person.** No representation or warranty, express or implied, is made or given by or on behalf of Henderson Global Investors or its employees as to the accuracy, validity or completeness of the information or opinions contained in this document. Unless otherwise stated, the source of information is from Henderson Global Investors.