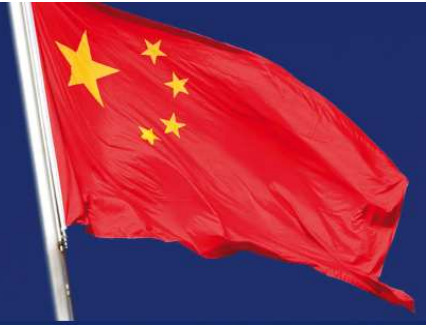


China Update



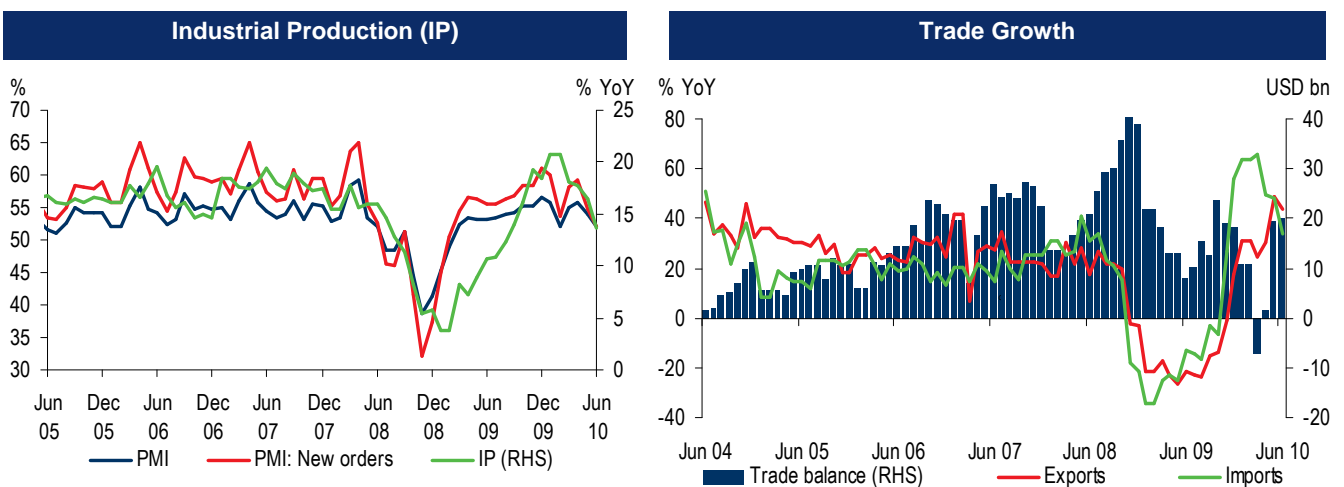
Health report: China's recovery remains solid

- China's gross domestic product (GDP) grew 11.1%* in the first half of 2010 versus 8.7%* in 2009
- Growth in the second quarter eased as a result of the government's successful attempts in tightening credit expansion, reducing investment spending and curbing property speculation
- We expect a slight correction in property prices and transactions in the coming months which should lend some stability to China's rapidly surging housing market
- The impact on markets from the banks' capital raising plans have not been as big as investors had feared; we expect banks to outperform as China takes a more cautious stance towards tightening

China's growth has moderated from the fast pace set earlier this year

GDP in the second quarter fell to 10.3%* from 11.9%* in the previous quarter. Weaker than expected June Purchasing Managers' Index (PMI) at 52.1 (versus 53.9 in May) indicates that a moderation in industrial activity – a result of domestic tightening and bumpy overseas recovery – has been faster than expected. The lower PMI together with the fall in property transaction volume has resulted in a sudden turnaround in sentiment. Investors previously nervous about overheating risk are now less worried about drastic tightening but are in fact more concerned about a possible hard landing.

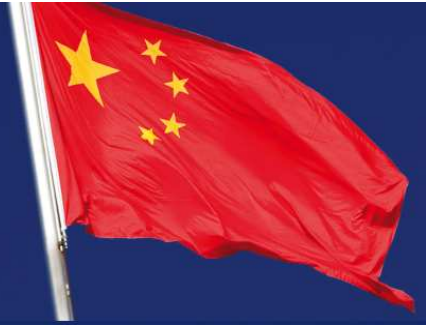
We think that moderating growth is inevitable since China is rebalancing its economy towards a more sustainable level after aggressive stimulus to cushion the shockwaves from the financial crisis. Even though the June PMI was a new low for 1H10, it is still above the threshold of 50 that demarcates expansion from contraction, suggesting that China's economy has not derailed from the expansionary track. Furthermore, exports continue to rebound in spite of fears about the global economy. In June, Chinese exports expanded 44% year on year, including a strong expansion to both the US and Europe. In light of the concrete progress of tightening measures, we do not expect any drastic policies for the next few months.



Source: CEIC, NBS and BofA Merrill Lynch Global Research, June 2010

*Source: National Bureau of Statistics (NBS) of China

China Update



Property prices in China are easing

Since April, the government has launched a slew of measures to cool the property market and it does seem like the measures are taking effect. China's property sales fell in May for the first time since Dec 2008 while property prices eased lower in June for the first time in nearly 18 months. We expect property prices to come down further next quarter as more supply comes into the market in September/October, traditionally the peak season for selling property in China. However we do not expect property prices to collapse, instead we expect a 10-20% correction which will only take the average selling price back to 2009 levels in most tier 1 & 2 cities.

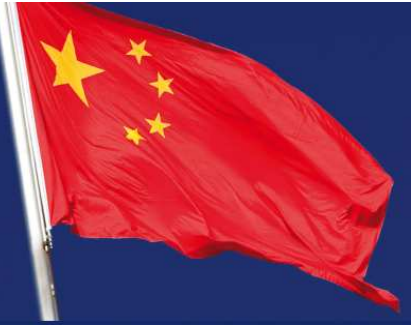
We therefore retain the Henderson Horizon Fund – China Fund's (the "Fund") overweight position in residential property names such as Shimao Property, Guangzhou R&F as well as Sun Hung Kai Properties as significant downside risks in the physical market has already been priced in. Furthermore, as GDP growth slows down in the second half of the year, the risk of additional tightening in the property sector is expected to lessen as well.

Impact of capital raising by banks smaller than expected

Capital raising has been much smaller in size and has had a smaller impact on secondary markets than initially anticipated. This was because it has been done through rights issues rather than H share placement in the secondary market. Furthermore, Central Huijin (a state-owned investment company) has committed to fully support the capital raising by major Chinese banks to avoid dilution of its stakes. When Bank of China (BOC) announced its decision to raise capital through a rights issue, Central Huijin, which holds 67.5% of BOC shares, fully subscribed to the rights issue. ICBC is likely to announce a rights issue soon as well.

The underperformance of Chinese bank shares has largely reversed in the past two months as the fundraising overhang subsides. Following the CBRC's (China Banking Regulatory Commission) review of local government financing vehicles (LGFV) loans by banks in 1H10, the market should also get more comfortable with the banks' non-performing loans (NPL) coverage. We retain our overweight in banks (both Bank of China and ICBC are both in the Fund's top 10 holdings) as we believe that solid results, a benign NPL outlook and a pick-up in net interest margin (NIM) should provide good support to earnings growth this year.

China Update



Key investment risks to be considered before investing

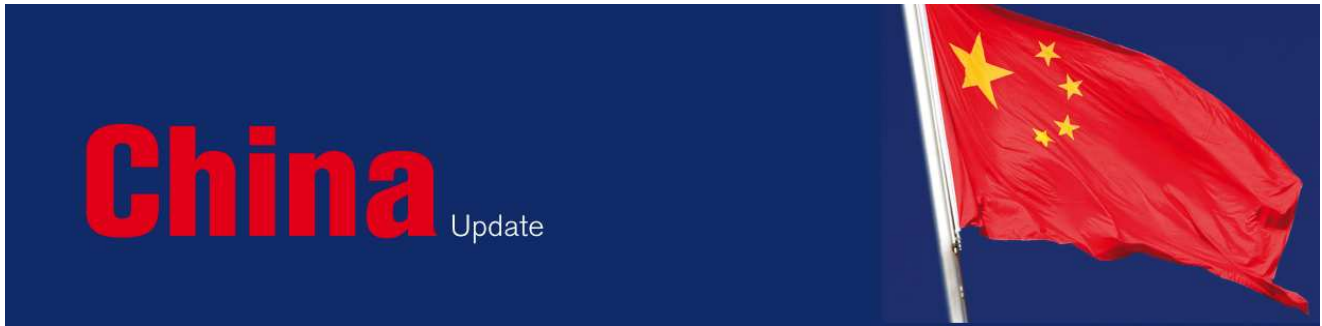
- The Fund primarily invests in equity securities and equity instruments of companies listed in China, Hong Kong and Taiwan and may also invest in companies incorporated elsewhere that have significant assets, business, production, trading activity or other interests in China, Hong Kong or Taiwan.
- The Fund may invest a substantial amount of its assets in companies in China (emerging market) which may involve a higher concentration of risk and also may experience higher risks of economic, political, regulatory and social development changes. Investments in emerging market may be less liquid and more volatile than funds that invest in developed and more geographically diversified markets.
- The Fund uses trading strategies that use financial derivative instruments (“FDI”) which may be unsuccessful due to a number of reasons; including volatile market conditions, imperfect correlation between the movements in securities on which derivatives are based, lack of liquidity within markets and counterparty default risk.
- The Fund typically holds long and short positions mainly through the use of FDI combining with direct investments and its total gross market exposure may exceed 100%. Such investment strategy and the use of FDI are inherently volatile and depending on market condition, the Fund could potentially be exposed to additional risk and costs should the market move against it and incur losses consequently.
- Investments in the Fund 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 Fund.
- The Fund 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.

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Date of issue: 20 July 2010