



# KNOWLEDGE. SHARED

## Part 2A of Form ADV:

### Firm Brochure Henderson Investment Management Limited

28 March 2017

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This brochure provides information about the qualifications and business practices of Henderson Investment Management Limited. Additional information about Henderson Investment Management Limited is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Henderson Investment Management Limited is registered with the SEC, however, the information in this brochure has not been confirmed or approved by the SEC or any state securities regulatory authority. Registration with the SEC does not imply a certain level of skill or training.

## **Item 2      Material Changes**

This Brochure, dated March 31, 2017, provides the following material updates to the Brochure dated March 30, 2016:

Item 4 is updated to include a paragraph on the proposed merger between Henderson group of companies and Janus Capital Group Inc. That corporate event is expected to close second quarter 2017.

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## **Item 4      Advisory Business**

Henderson Investment Management Limited (the “Adviser” or “HIML”) provides international and global investment advisory services to registered investment companies, investment advisers and institutional clients. HIML manages investment advisory accounts in accordance with clients’ stated investment objectives, carrying out its investment responsibilities consistent with those objectives and taking into account specific constraints set by the clients and applicable regulation. HIML was incorporated in 1984, and is an indirect, wholly owned subsidiary of Henderson Group plc, a public company listed on the London Stock Exchange and on the Australian Securities Exchange. Henderson Group plc is the holding company of the investment management group Henderson Global Investors (Henderson).

As of February 28, 2017 HIML manages US\$11,672,586,199 in discretionary assets and no nondiscretionary assets.

On October 3, 2016, Henderson Group plc announced its intention to merge with Janus Capital Group Inc. The combined company will be named Janus Henderson Global Investors plc, and the merger is currently expected to close in the second quarter of 2017, subject to requisite shareholder and regulatory approvals. Henderson and Janus shareholders are expected to own approximately 57% and 43%, respectively of Janus Henderson Global Investors’ shares on closing, based on the current number of shares outstanding.

### **Henderson Global Funds**

Henderson Global Investors (North America) Inc. or “HGINA” is an affiliate of HIML. HGINA has entered into an investment advisory agreement with Henderson Global Funds (the “Funds”), a registered open-end investment company, to act as investment adviser. Pursuant to this advisory agreement, HGINA is paid a fee by each portfolio for managing the Funds’ investments, administering its business affairs, furnishing office facilities and equipment, providing clerical, book-keeping and administrative services and providing shareholder information services. HGINA has delegated day-to-day portfolio management responsibilities to HIML for eleven of the Funds, pursuant to a sub-advisory agreement.

### **Other Investment Companies**

HIML has entered into a written sub-advisory agreement with HGINA to provide investment management services to the portfolio of the First trust Dynamic Europe Equity Fund, a U.S. exchange traded closed-end fund. HIML will be paid a fee for its services as disclosed in the fund prospectus or other documents

### **Model Portfolio and Portfolio Consultant**

HIML may provide model portfolios to clients or other investment advisers pursuant to and agreed upon investment objective and guidelines specified in the investment management agreement. The client will apply to model portfolio to their clients’ accounts and retain all decision making and trading authority. HIML does not have investment discretion over these accounts.

### **Institutional Accounts**

HIML serves as the subadvisor for certain institutional accounts of HGINA. HIML manages investment advisory accounts in accordance with the clients’ stated investment objectives. HIML will carry out its investment responsibilities consistent with these objectives, taking into account any specific constraints set by the client and applicable regulations.

As sub-adviser to HGINA’s institutional clients, HIML provides research, analysis, advice and recommendations with respect to the purchase and sale of securities, and makes investment decisions regarding the assets of each portfolio. Services provided by HIML on these accounts are subject to oversight by HGINA.

## **Item 5      Fees and Compensation**

### **Registered Investment Companies**

#### **Henderson Global Funds**

HIML acts as sub-adviser to ten portfolios of Henderson Global Funds pursuant to a subadvisory agreement between HGINA, HIML's U.S. affiliate, and investment adviser to the Funds. For the portfolios, HGINA pays HIML a monthly fee at an annual rate of 0.35% based on the average daily net assets of the respective Fund.

The sub-advisory agreement is subject to annual approval and renewal by a majority of the Board of Trustees of the Henderson Global Funds, including a majority of the independent trustees unless sooner terminated on sixty days' written notice by either party.

HGINA and each mutual fund's Board of Trustees oversee the services performed by each sub-adviser.

#### **Other Investment Companies**

HIML acts as a sub-sub adviser to other investment companies including a closed-end exchange traded fund. Pursuant to the sub-sub advisory agreements, HGINA pays HIML a fee of 35% of daily managed assets.

#### **Model Portfolio and Portfolio Consultant**

HIML provides a model portfolio to other investment advisers who will invest the portfolio on behalf of their clients fee ranges between .30% and .35% per annum on all assets. HIML will be paid a fee for portfolio consulting services of 0.02 cents per unit calculated based on the number of units outstanding of the Trust at the end of the primary offering period.

#### **Institutional Accounts**

HIML serves as the sub-adviser for certain institutional accounts of HGINA. HIML's fee for international investment sub-advisory services for HGINA's institutional clients is subject to negotiation, but is generally a percentage of the per annum of funds under management. HIML's fees are calculated monthly and invoiced accordingly. HIML manages investment advisory accounts in accordance with the clients' stated investment objectives.

HGINA generally pays HIML a fee for international investment sub-advisory services based upon:

- A per annum rate based upon the assets under management for each client of HGINA, The rate is currently at 0.10% of assets under management for clients billed under this arrangement and fees are calculated monthly and invoiced accordingly.
- An asset based fee equal to a percentage of the fixed fee earned by HGINA, which is currently equal to 30%. Fees billed under this arrangement are paid quarterly to HIML by HGINA.

## Item 6 Performance-Based Fees and Side-By-Side Management

### Incentive Fees

HIML can earn incentive fees if a client's investment exceeds certain specified performance hurdles. These fees are different for each client and not all clients have incentive fee arrangements. For those clients that are subject to an incentive fee arrangement, the amount of the fee is determined in the following way: As a percentage of the performance fee earned by HGINA from clients. HGINA's fee is based off of a percentage of a client's or a fund's beginning of period net asset value. The percentage is determined as the performance in excess of a predetermined index rate for that period.

### Conflicts of Interest

The Adviser seeks to foster a reputation for integrity and professionalism. That reputation is a vital business asset. The confidence and trust placed in us by investors is something that is highly valued and must be protected. A Code of Ethics has been adopted to ensure that those who have knowledge of portfolio transactions or other confidential client information will not be able to act thereon to the disadvantage of Henderson's clients. The Code of Ethics does not purport comprehensively to cover all types of conduct or transactions which may be prohibited or regulated by the laws and regulations applicable.

The portfolio managers are responsible for managing both the Funds and other accounts. Other than potential conflicts between investment strategies, the side-by-side management of both the Funds and other accounts may raise potential conflicts of interest due to certain trading practices used by the portfolio manager (e.g. allocation of aggregated trades).

The firm adopts the following types of procedures and measures when managing conflicts of interest including those involving its affiliates:

**Control of information:** Preventing/controlling the exchange of information between opposing sides of conflict of interest, e.g. by establishing Information Barriers.

**Separate supervision:** Ensuring that individuals within Henderson on opposite sides of a conflict of interest are subject to separate supervision or reporting lines.

**Remuneration links:** Revision of direct links between the remuneration of individuals on opposite sides of a conflict of interest, or remuneration links that may influence an individual to favour a particular product or service.

**Measures to avoid inappropriate influence:** Preventing the inappropriate influence of one individual over another, e.g. where a person who influences an individual's career progression or remuneration can exert undue influence over that individual's integrity of judgment.

**Segregation of duties:** Preventing/controlling the simultaneous/sequential involvement of the same individual in separate tasks or services, so that appropriate oversight and monitoring is maintained.

**Side by side management:** Occasionally, portfolios that charge fees might be managed alongside those that do not. The Investment Performance and Risk Committee have oversight of the performance of any portfolios managed side by side and can challenge any discrepancies. Additionally, trade allocation is performed by a dealing function that is independent of the fund management business. The Compliance Team monitor fair allocation monthly and any discrepancies are escalated. Please refer to Item 12 for further description of our brokerage practises.

## **Item 7      Types of Clients**

HIML generally provides investment advice to:

- Registered Investment Companies
- Pension and Profit Sharing Plans
- Trusts, Estates or Charitable Organizations
- Corporations or Business Entities
- Other Institutional Clients
- Other Investment Advisers

## **Item 8      Methods of Analysis, Investment Strategies and Risk of Loss**

### **Analysis and Investment Strategies**

Portfolios managed by HIML use a wide range of techniques depending on the investment strategy. These details are disclosed in full in each fund's prospectus and typically includes the Investment Approach; Process; Permitted Instruments, Techniques and Strategies; and Restrictions. Separate managed accounts follow the investment strategy of a fund and use the same techniques.

The structure of Henderson's investment teams allows talented and experienced fund managers to flourish and client expectations to be met or exceeded. There is no overarching house style, with each team responsible for their investment process, stock selection and portfolio construction, which is subject to challenge and debate. Research analysts are embedded within teams as required, depending on the requirements of the individual investment processes. Analysts are encouraged to share and challenge each other's views across the entire division to ensure there is good cross-fertilization of ideas, allowing individual investment teams to leverage the expertise of Henderson's wider investment platform.

HIML has a flexible, dynamic approach to the investment process, which embraces the use of derivatives across its diversified product range. Where permitted within their investment policy, portfolios may utilise derivative instruments or techniques as part of their investment strategies with the aim of either enhancing returns or for the purpose of Efficient Portfolio Management ("EPM") such as currency hedging to protect the absolute returns achieved.

### **Risk of Loss**

#### **Market Risk**

The risk of loss resulting from fluctuation in the market value of positions in a fund attributable to changes in market variables, such as interest rates, foreign exchange rates, equity and commodity prices or an issuer's creditworthiness; and as regards derivatives, through movements in markets for derivatives or the underlying asset, reference rate or index to which a derivative relates. A portfolio may invest in emerging markets, derivatives and employ borrowing and leverage techniques and is therefore subject to additional special risks arising from these investments and techniques.

All the portfolios under HIML's management are subject to market risk as outlined within the relevant fund's prospectus or equivalent governing documents.

#### **Credit / Counterparty Risk**

Credit or counterparty risk is the risk of loss resulting from the counterparty to a transaction defaulting on its obligations prior to the final settlement of the transaction's cash flow. A portfolio may become exposed to the creditworthiness of a trading counterparty through uncollateralised exposure or over-collateralisation by that counterparty and, in the event the insolvency of that counterparty, will rank as unsecured creditor in relation to such amounts, which it may not recover in full, or at all.

All the portfolios under HIML's management are subject to market risk as outlined within the relevant fund's prospectus or equivalent governing documents.

#### **Liquidity Risk**

The risk that a position in a portfolio cannot be sold, liquidated or closed at limited cost in an appropriate time frame and that the ability of the portfolio to meet its investor redemption obligations is thereby compromised. A portfolio may be adversely affected by a decrease in market liquidity for the instruments in which it invests which may impair the fund manager's ability to adjust its positions making it difficult to acquire or dispose of them at the prices quoted on relevant exchanges or at all. The size of a portfolio's positions may magnify the effect of a decrease in market liquidity for such instruments. In addition, illiquid investments may incur high transaction costs particularly in times of market stress.



## **Operational Risk**

The risk of loss for a portfolio resulting from inadequate internal processes and failures in relation to people, systems and third party service providers or from external events, and includes risk resulting from the trading, settlement and valuation procedures operated on behalf of a portfolio. Sources of operational risk are wide-ranging and may arise from inadequate systems, management failure, control inadequacy, fraud, human error and model risk. Potential events which may lead to increased operational risk include management changes, the development of new products, and use of third-party service providers, failures in automated systems used in key business processes, business continuity disruption, human error and changes in the legal or regulatory environment.

## **Leverage**

Leverage may be applied to a portfolio by utilising financial gearing, such as by borrowing funds from brokerage firms, banks and other financial institutions; and synthetic gearing through derivatives and/or other non-fully funded instruments or techniques for efficient portfolio management purposes in such circumstances where it is deemed appropriate in order to continue to implement the investment approach and to achieve the investment objective. Such leverage may be obtained on an unsecured or collateralised basis. Typically leverage will arise through the use of warrants, options, swaps, futures, forward foreign exchange contracts or contracts for difference, where cash is paid to the counterparty as margin against the current mark-to-market value of the derivative contract; as a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may even result in further loss exceeding any margin deposited.

The use of leverage therefore creates additional risks and may significantly increase the market and counterparty risk of a portfolio through non-fully funded exposure to underlying markets or securities.

## **Legal and Regulatory Risk**

Legal risk is the risk of loss due to a change in law or regulation or because a contract is not legally enforceable or documented correctly, such that its terms do not produce the intended economic outcome. This may lead to incapacity to fulfil the terms of a contract or failure to appreciate or address the inherent risks in a transaction. Potential legal risks, which may lead to loss, can be categorised as the risks of a particular type of transaction (e.g. over-the-counter trades), the risks of a proposed transaction and documentation risk.

Regulatory risk arises from non-compliance with regulations or inadvertent misinterpretation of them which may be a consequence of a change in law or regulation.

## **Other Risk**

In addition to the above, please see the applicable offering documents for additional risk disclosure, generally within the section headed 'Risk Factors'. This will cover risks specific to a particular portfolio such as: concentration of investments; derivatives; emerging markets; smaller companies; commodities; ratings criteria and debt securities.

HIML manages the following strategies that are offered through its affiliate HGINA:

## **Global Equities**

The Global Equities team uses a concentrated, unconstrained, fundamentally-based approach to build 'best ideas' portfolios targeting an excess total return (gross of fees) over the strategies benchmark index over a rolling three-year period. (This is a performance objective and not a guarantee.) The team of global generalist investment managers has a strong philosophical belief that companies subject to disruptive, indirect and internal change are often mis-valued by the broader market. As companies continuously

experience change, this is a robust and continuous source of investment opportunity. Portfolios are managed on an active basis and primarily invest in International developed equities and may have some exposure to emerging market equities. Global Equity strategies offered are the International Equity, International Equity ACWI ex US, International Equity Concentrated and Global Equity Concentrated.

### **Global Equity SRI**

Sustainability runs throughout the investment process, from products and services offered by a company under consideration through to their growth prospects, strategy, capital allocation, cash flows and corporate governance. Henderson's Global Equity SRI investment team's rigorous fundamental investment approach seeks to identify and understand companies undergoing significant change. Changes in ecological, regulatory, industry or company environments can often lead to mis-valuations by investors. The strategy targets companies that the team believes are growing sustainably. Investment will only be made in those companies whose products and practices are considered by the Authorized Corporate Director to enhance the environment and life of the community.

### **Emerging Markets Equity**

The portfolio managers are fundamental, high conviction managers seeking to create portfolios of reasonably valued, high quality companies through bottom-up stock selection, with asset allocation decisions driven by the stock selection process. Security selection is based upon an analysis of a company's valuations relative to earnings forecasts and other valuation criteria, earnings growth prospects of a company, the quality of a company's management and the unique competitive advantages of a company. The emerging markets strategy provides exposure to investment opportunities in frontier and undesignated markets; is index-agnostic and utilizes a longer term, five year time horizon.

### **European Equity (Pan Europe Large Cap)**

The Pan European Equity strategy invests mainly in shares of companies in European equity markets (including the United Kingdom) while the Continental European Equity Selected Opportunities strategy invests mainly in shares of companies in Continental Europe. Neither strategy is constrained by industry. A preference to take positions in companies that offer identifiable strong long-term growth potential, thus avoiding frenetic trading that can be expensive to overall returns. The managers look to build a sustainable portfolio that is diversified across sectors and stocks to help to reduce risk.

The Continental European Equity Concentrated strategy anticipates drivers for change to capture opportunities across all types of market conditions. It blends top-down sector themes with stock specific stories and seeks access to sustainable long-term trends in the European (ex-UK) market. The strategy is unconstrained, allowing the manager to take aggressive sector and stock positions where he has high conviction.

### **European Focus**

The strategy invests in equity securities of European companies. The manager follows a "growth at a reasonable price" philosophy with a focus on investment opportunities through stock selection. Country and sector allocation decisions are driven by the stock selection process.

### **All Asset**

This strategy blends an array of asset classes and utilizes a flexible approach to dynamically allocate between a wide range of asset classes and investment opportunities across the globe.

### **Global Credit**

Henderson manages various global credit strategies. The Global High Yield strategy employs a fundamental, bottom-up approach with emphasis on in-depth forward-looking research. It is a high conviction, bottom-up analysis with top-down macro overlay. A fluid investment process enhances the ability to execute purchase and sale decisions nimbly at the security, sector and ratings level. The Credit team has strength across both

European and US credit areas and has the flexibility to invest across the entire spectrum of ratings categories.

The European High Yield strategy team utilizes flexible portfolio construction that recognizes that asset allocation, sector selection and security selection add value at different times in the credit cycle. The investment process combines top-down asset allocation with bottom-up security selection, though security selection is expected to be the primary driver of returns. The strategy invests in European sub-investment grade bonds with a credit rating equivalent to BB or lower.

European Corporate Bond strategy utilizes a combination of traditional corporate bond analysis with a clear understanding of market factors and valuations. The strategy invests mainly in a diversified portfolio of Euro denominated corporate bonds and may also invest in other types of securities. The managers utilize a bottom-up approach to assessing the likelihood of a credit deterioration, constructing portfolios with a duration relative to the stated benchmark plus or minus 2 years, are created.

The managers of the Emerging Markets Corporate Debt strategy utilize bottom-up fundamental analysis in constructing portfolios. The strategy aims to provide a total return in excess of that generated by the designated benchmark by investing primarily in emerging market corporate bonds and other fixed and floating rate securities. The strategy may invest up to 50% in noninvestment grade securities including up to 20% in distressed debt securities. The managers utilize themes such as state-driven reforms, regulatory changes and yield curve projections when performing security analysis and the managers attempt to minimize volatility through scenario analysis and portfolio diversification. Active duration management, use of derivatives and off-benchmark investments are also utilized.

The Global Corporate Bond strategy invests primarily in global investment grade corporate bonds and other fixed and floating rate securities. Investments are conviction-lead, and manager recognize that asset allocation, together with country, currency, sector and security selection will add value at different times in the credit cycle. The managers have experience in tilting portfolio to take advantage of changing market conditions based on varying credit cycles.

The Credit Alpha strategy combines detailed bottom-up company research with medium to long term macro view analysis. It seeks to exploit high levels of credit spread volatility that has led to mispricing at both the sector and security level. The managers employ roughly an equal number of long and short positions and derivative instruments are used to help reduce risk and enhance portfolio returns. The strategy invests in corporate bonds and credit default swaps and asset back securities, preference shares equities and secured longs may also be held.

### **Diversified Fixed Income**

The Global Unconstrained Bond and Global Total Return Bond strategies primarily invest in global fixed income securities and leverage opportunities from both rising and falling markets while actively managing risk exposure through the use of derivatives. The strategies unconstrained approach allows them to invest in opportunities across the entire bond universe, such as government debt, secured assets, corporate debt and associated derivative investments. The Global Unconstrained Bond strategy utilizes a flexible duration range through a global exposure.

The Global Absolute Return Bond strategy combines bottom-up idea generation with top-down risk management, structured to capture best ideas by investing in a variety of fixed income vehicles. Diversification is sought through using multiple sources of uncorrelated assets and symmetry in diversified fixed income strategies exploits market inefficiencies by expressing both positive and negative views. The investment framework combines quantitative analysis with qualitative judgment.

Global Diversified Credit strategy has the ability to flexibly allocate to various fixed income asset classes with broad exposure across the credit rating spectrum. The managers use top-down fixed income allocation based on views of expected returns, volatility and correlations, as well as forward looking credit research to identify issues in advance allowing development of high conviction views. The strategy can invest across the

full credit spectrum including high yield, secured loans, emerging market credit, asset backed securities and investment grade credit.

### **Secured Credit**

The European Secured Bank Loan strategy managers utilize a bottom-up credit and instrument selection based on in-depth fundamental analysis into the financial structure of each issuer's loan. They are specialists focused on idea generation and monitoring utilizing a macro overlay benefitting from the wider Henderson platform. The strategy invests in secured loans and sub participations in secured loans.

Henderson's Multi-Asset Credit strategy focuses on senior and secured issuance and uses ABS allocation for diversification and defensive properties. The managers use detailed credit selection across markets and focus on longer term risk factors, taking a 3-5 year view. The managers have the ability to move between different asset classes and focus on floating rate and low duration investments, by investing principally in secured loans, asset backed securities (ABS) and high yield bonds.

### **Long Duration**

The Long Duration strategy uses flexible portfolio construction that recognizes that asset allocation, sector selection and bond selection add value at different times in the credit cycle. The use of high conviction, top down security selection reflects the portfolio manager's macroeconomic views utilizing input from Henderson's credit analysis team. Bottom-up company-by-company fundamental analysis seeks to identify best performers in each sector to aid in avoiding poorly performing companies. The strategy invests primarily in long dated sterling denominated investment grade corporate bonds.

### **Global Property Equities**

The team strives to generate the *vast* majority of outperformance through stock selection, rather than top down asset allocation. The team believes that relative country performance is influenced by factors such as exchange rates, general investor sentiment and government policy shifts, which are less predictable than property markets and companies.

The team believes its benchmark-aware approach, utilizing a disciplined approach with an objective of consistent outperformance *over* benchmark indices, will be successful *over* the long-term. The primary consideration is bottom-up knowledge of markets, portfolios and people. The team builds concentrated portfolios, selecting stocks from defined peer groups, using scoring systems designed to identify relative value. To avoid the risks posed by exogenous factors, the team tends towards neutrality in country allocation. Liquidity risk is a key consideration from both portfolio management and business perspectives.

## **Item 9      Disciplinary Information**

HIML has no applicable disciplinary information to report.

## Item 10 Other Financial Industry Activities and Affiliations

As sub-adviser to 11 portfolios of the Henderson Global Funds, HIML provides research, analysis, advice and recommendations with respect to the purchase and sale of securities, and makes investment decisions regarding the assets of these portfolios. All services provided by HIML are subject to oversight by HGINA as well as the Board of Trustees of the Funds.

HGINA, an affiliate of HIML, is the investment adviser to each portfolio of Henderson Global Funds and supervises HIML. HGINA and HIML are indirect, wholly owned subsidiaries of Henderson Group plc. Henderson Group plc and its affiliates (sometimes referred to as "Henderson Global Investors" in this document) provide a full spectrum of investment products and services to institutions and individuals in Asia Pacific, Europe and North America.

HIML's advisory personnel may communicate with research personnel of its affiliates in order to request information, to obtain their *views* on economic factors or to confer on the interpretation of research material provided to HIML. HIML may also request information from these entities as to their *views* on research received by recommendations or advice directly to HGINA's clients. Henderson Administration Limited, an affiliated company organized in Great Britain, provides administrative and research facilities and personnel to HIML.

### Services of Affiliates

Henderson Global Investors operates its global investment management business through multiple advisory affiliates some of which are registered with multiple regulatory authorities and some of which are registered only with non U.S. regulatory authorities. In order to make Henderson Global Investors global investment management capabilities available to HIML's clients HIML may engage the services of one of its affiliates, such arrangements may include dual employee, delegation, participating affiliate, sub-advisory or other servicing agreements. To the extent HIML engages such services HIML remains responsible from a legal and contractual perspective.

## **Item 11 Code of Ethics, Participation or Interest in *Client* Transactions and Personal Trading**

### **HIML's Code of Ethics**

HIML has adopted a Code of Ethics ("Code") that is designed to prevent any act, practice or course of business prohibited by Rule 17j - 1(b) promulgated under the Investment Company Act and Rule 204A-1 promulgated under the Investment Advisers Act. This Code establishes HIML's expectations for its officers, directors, employees and certain outside persons performing services on behalf of the firm (collectively "Supervised Persons"). The Code emphasizes HIML's fiduciary duty to its clients and challenges each Supervised Person to:

- Place the interest of the firm's Clients first.
- Avoid taking inappropriate advantage of their position.
- Conduct all of their personal securities transactions in full compliance with the Code.
- Understand and comply with applicable federal, state, and foreign laws and regulations.

To support the above business standards specific policies and procedures address personal trading, gifts, the prohibition against the misuse of inside information and other situations where there is a possibility for a conflict of interest.

The Code contains procedures which require all Access Persons to pre-clear all personal trades in Covered Securities, not otherwise exempt under the policy, including all private placements and initial public offerings. These transactions are subject to review by HIML's Compliance Officer. Where purchases or sales of a security are to be made for clients as well as for the account of HIML or any person associated with it or its affiliates, client interests will take priority. Requests for trading authorization will be denied when the proposed transaction would be contrary to the provisions of the Code or HIML's fiduciary duty.

In addition to the pre-clearance requirements, the Code contains provisions that subject Supervised Persons to various trading restrictions and reporting obligations, including reporting transactions in mutual funds managed by HIML. All reportable transactions are reviewed for compliance with the Code and, under certain circumstances the Supervised Persons may be required to forfeit their profits made from personal trading.

A copy of the Code may be obtained by contacting HIML's Compliance Department.

### **Participation in Client Transactions**

HIML, its affiliates and their employees may, from time to time, buy and sell in public or private transactions, securities that it recommends to, or purchases on behalf of clients. All employees have undertaken to Henderson Administration Limited (the employing company) that they will refrain from affecting transactions in such a manner as to take advantage of inside information or market movements, which might result from the implementation of recommendations to clients.

In addition, under the Code, Supervised Persons must uphold their fiduciary duty by conducting all of their personal securities transactions in a manner that does not interfere with the transaction of HIML's clients or otherwise take unfair advantage of those relationships.

HIML or its affiliates generally do not invest or hold securities for its own account, and therefore do not invest in the same securities that it recommends to its clients.

In certain cases, HIML's portfolio managers also provide investment advice to one or more unregistered pooled investment vehicles ("hedge funds") advised by an affiliated entity. Henderson has implemented written policies and procedures designed to ensure equitable allocation of investment opportunities among its clients. Investment decisions made by HIML will be (unless disclosure is required by law or regulations applicable to HIML and its affiliates) kept confidential from affiliates of HIML aside from HIML's dealers who implement transactions for HIML and its investment advisory affiliates. As a sub-adviser to registered

investment companies, HIML's investment decision-making is subject to the oversight of the investment adviser, as well as the oversight of the board of trustees/directors of the respective fund.



## Item 12 Brokerage Practices

Where HIML provides investment advisory services to clients on a discretionary basis, the advice is subject to investment guidelines or objectives in instructions provided to HIML. With respect to mutual funds, the advice is subject to the investment objectives and restrictions outlined in the fund's registration statement.

When executing transactions on behalf of clients, HIML's objective will be to obtain best execution with respect to each transaction. Consequently, HIML selects brokers primarily based on their execution capabilities and trading expertise.

Where HIML aggregates customer orders it will not give unfair preference to any of those for whom it dealt. Allocations will be made in a manner that is fair among its customers; is reasonable in the interests of all; and does not conflict with any relevant customer's instructions or the provisions of his customer agreement. Each aggregated transaction shall be allocated at the average price paid per unit allocated (taking into account all relevant fees and commissions) on a pro rata basis.

A record will be made of the intended basis of allocation before the transaction or immediately after? It should be noted that, if a deal order cannot be fully executed immediately, the central dealers may complete the order by means of a series of smaller transactions. Partially completed deals should be allocated pro-rata to the intended basis. However, if this would result in an allocation that is too small to be of significance to the larger fund, that fund may be removed from allocation. Materiality will be determined by the fund manager and reasons for withdrawal will be documented and must be signed off by Compliance. If an error is discovered in the intended basis of allocation or in the actual allocation this may be corrected provided a written record of the reason for the reallocation is made at the time of reallocation.

Managers do not give undue preference to particular customers in the allocation of aggregated transactions. When making allocation decisions, the objectives and size of the funds being managed by the relevant manager are taken into account. In the case of new issues, allocations are given at the point of order submission and then allocated on a pro rata basis. If a holding is deemed di minim us it may be removed from the allocation but this would be documented and then approved by compliance.

While HIML will select brokers primarily on the basis of their execution capabilities, the direction of transactions to brokers may also be based on the quality and amount of research and research related services that they may provide to HIML. When reviewing various brokerages, HIML considers the commissions to be charged and the rendering of investment services, including statistical, research, and counselling services by brokerage firms.

HIML does not have any obligation to deal with any broker or group of brokers in the execution of portfolio transactions. HIML may select brokers on the basis of the research, statistical and pricing services they provide. Information and research received from such brokers will be in addition to, and not in lieu of, the services required to be performed by HIML under its respective agreements. A commission paid to such brokers may be higher than that which another qualified broker may have charged for execution only, provided that HIML determines in good faith that such commission is reasonable in terms either of the transaction or the overall responsibility of HIML to its clients and that the total commissions paid by will be reasonable in relation to the benefits over the long-term. HIML or its affiliates may enter into commission sharing arrangements with key brokers, which allow for the receipt of both proprietary and third party research.

These research and services are the type described in Section 28(e) of the Securities and Exchange Act of 1934 and are designed to improve HIML's investment management decisions and advice. Consequently, HIML may enter into commission sharing agreements whereby brokers agree to provide one or more of the following:

- Specific advice as to the advisability of dealing in, or of the value of any investment; or
- Research or analysis relevant to the above (or about investments generally and matters relevant thereto)

Research services furnished by brokers through which HIML effects securities transactions are used by HIML in carrying out its investment management responsibilities with respect to all the client accounts over which it exercises investment discretion and, accordingly, such services may not be utilized in connection with the client account that provided the commission or a portion of the commission paid to the brokers providing the services.

### **Client Directed Brokerage**

For those client accounts that direct HIML to execute all or a portion of portfolio transactions through a particular broker-dealer, the client and broker dealer determine commission rates. By directing HIML to use a particular broker-dealer, the client may receive a less favourable execution and be subject to other disadvantages. For example: (i) HIML will not seek to negotiate the commission rates; (ii) the client may be unable to participate in a more favourable price as a result of the volume; (iii) the client may pay higher transaction costs, including commissions, than they otherwise would have had if they did not designate a particular broker-dealer; or (iv) the client may be limited in allocation of new issues.

Currently, no client has directed HIML to execute all or a portion of portfolio transactions through a particular broker-dealer.

## Item 13      Review of Accounts

### Registered Investment Companies

HIML, through its compliance department, portfolio managers and *investment* analysts, regularly monitors the portfolios (or portion of the portfolio) of registered *investment* companies to which it provides sub-advisory services. The portfolio managers ensure that any transaction they perform for a portfolio complies with the applicable investment objectives and restrictions as set forth in the applicable registration statement.

The portfolio managers are responsible for carrying out and/or supervising the transactions of the funds. The portfolio managers report directly to the Head of Equities/Head of Fixed Income, who will formally review each portfolio on a quarterly basis. Investment management teams meet on a weekly basis to discuss investment objectives and strategy applicable to each portfolio.

Trades are monitored electronically to ensure compliance with guidelines. At take-on of the portfolio, the relevant portfolio manager reviews its investment restriction for sign-off after which a member of the Compliance team records its details in the Charles River Development System. In addition, on a daily basis a member of the Compliance team monitors portfolio restrictions and any other issues that may be raised by electronic monitoring. If any trades would potentially breach investment limits the trade is discussed with the Portfolio Manager and if necessary the Chief Investment Officer.

HGINA, the investment adviser to Henderson Global Funds, oversees HIML with respect to certain Henderson Global Funds. The board of trustees of the respective funds oversee HGINA and HIML.

HGINA provides reports to shareholders of the funds at least semi-annually.

### Institutional Accounts

Institutional accounts and wrap account portfolios are managed by portfolio managers who have overall responsibility for directing and overseeing all aspects of investment activity, including monitoring investment results in clients' accounts. The selection of individual securities for purchase or sale for clients' accounts is the principal responsibility of the portfolio managers assigned to the account. All portfolio managers, Directors and Dealers fall within the FCA's Approved Person's Regime. Before being allowed to perform a controlled function the individuals must pass the Fit and Proper Test for Approved Persons which has three main criteria:

- Honesty, integrity and reputation
- Competency and capability
- Financial soundness

Institutional accounts are reviewed on a similar basis as the registered investment companies. Individual portfolio managers are responsible for carrying out and/supervising the transactions of the accounts. The portfolio managers report directly to the Head of Equities, who formally meets with each portfolio management team at least quarterly.

Institutional Investment advisory clients will be furnished with detailed valuations of their accounts, generally on a monthly basis but not less frequently than quarterly, with cost and market values of each issue shown, as well as the percentage of the portfolio invested in cash, senior securities and common stock, estimated income and yields. HIML also provides clients with occasional periodic reports that contain market and economic reviews, as well as any consequent changes in HIML's general investment strategy.

## **Item 14      Client Referrals and Other Compensation**

HIML does not have any arrangements where it is paid in cash or receives some economic benefit from a non-client in connection with giving advice to clients nor does HIML directly or indirectly compensate any person for client referrals.

## **Item 15    Custody**

HIML does not have custody of any client accounts.

## **Item 16 Investment Discretion**

Where HIML provides investment advisory services to clients on a discretionary basis, the advice is subject to investment guidelines or objectives of the clients in which it advises. With respect to the mutual funds, the advice may also be limited by certain federal securities and tax laws and is also subject to the investment objectives and restrictions outlined in the Funds' registration statement.

## Item 17 Voting Client Securities

Proxy voting is carried out by HIML. It is the intent of HIML to vote proxies in the best interests of the firm's clients. HIML believes that in order to achieve long-term success, companies need not only to conceive and execute appropriate business strategies, but also to maintain high standards of corporate governance and corporate responsibility. We therefore expect companies to operate according to recognized national and international standards in these areas.

HIML has adopted the Henderson Global Investors Responsible Investment policy. This policy sets out Henderson's approach to monitoring and taking action on financial performance, corporate governance and corporate responsibility. It includes core principles of corporate governance that we apply in making voting decisions across all markets covering issues such as disclosure & transparency, boards of directors, shareholder rights, audit & control and remuneration. HIML has contracted ISS Europe Ltd. to provide policy development, research, advisory and voting disclosure services.

If at any time during implementation of HIML's proxy procedures a conflict of interest is identified the matter will be referred to the HIML Proxy Committee via the Head of Compliance. In such circumstances the Proxy Committee reviews the issue and directs ISS how to vote the proxies through the ProxyExchange website and voting instructions are executed by the custodians.

In determining how proxies should be voted, HIML generally: (1) opposes proposals that would act to entrench management; (2) believes that Boards should include a sufficient number of independent nonexecutive members with appropriate skills, experience and knowledge.; (3) opposes structures which impose financial constraints on changes in control; (4) believes remuneration should be commensurate with responsibilities and performance; and (5) believes that appropriate steps should be taken to ensure the independence of auditors.

To obtain a copy of HIML's Proxy Voting Policies and Procedures, or a record of how your proxies were voted, please contact Antony Marsden, Head of Governance and Responsibility Investment, [antony.marsden@henderson.com](mailto:antony.marsden@henderson.com) or +44 (0)20 7818 5323. The policy and voting records can be found on this website: <http://vds.issproxy.com/SearchPage.php?CustomerID=2312>.

## **Item 18      Financial Information**

This section is not applicable for HIML.



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**Important information**

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Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change.

If you invest through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially.

Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment. It does not form part of any contract for the sale or purchase of any investment.

Any investment application will be made solely on the basis of the information contained in the Prospectus (including all relevant covering documents), which will contain investment restrictions. This document is intended as a summary only and potential investors must read the prospectus, and where relevant, the key investor information document before investing.

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Reference