

# 2014 full year results

Wednesday 25 February 2015

**Andrew Formica**  
Chief Executive

**Roger Thompson**  
Chief Financial Officer



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Henderson  
GROUP PLC

# Agenda

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- 2014 highlights
- 2014 financial results
- Strategy and outlook

# 2014 full year results **Highlights**

**Andrew Formica**  
Chief Executive

# Highlights

- ✓ AUM increased to £81.2bn
- ✓ Net inflows of £7.1bn
- ✓ Strong investment performance
- ✓ Increased underlying profit and EPS
- ✓ Total dividend of 9.0p per share

	FY14	FY13	Change
Total AUM	£81.2bn	£75.2bn	↑
Net flows	£7.1bn	£2.5bn	↑
3 year investment performance <sup>1</sup>	83%	82%	↑
Underlying PBT <sup>2</sup>	£187.8m	£165.5m	↑
Underlying diluted EPS <sup>2</sup>	14.7p	13.0p	↑
Total dividend per share	9.0p	8.0p	↑

<sup>1</sup> Percentage of funds, asset-weighted, outperforming relevant metric.

<sup>2</sup> Based on continuing operations, excluding Property interests transferred as a result of transactions completed on 1 Apr 2014.

# Consistently strong investment performance

83% of funds outperformed over three years

Core capabilities	AUM	1 year <sup>1</sup>	3 years <sup>1</sup>
European Equities	£15.3bn	89%	89%
Global Equities	£25.7bn	58%	78%
Global Fixed Income	£19.2bn	60%	80%
Multi-Asset	£5.2bn	67%	74%
Alternatives <sup>2</sup>	£15.8bn	61%	100%
<b>Total</b>	<b>£81.2bn</b>	<b>66%</b>	<b>83%</b>

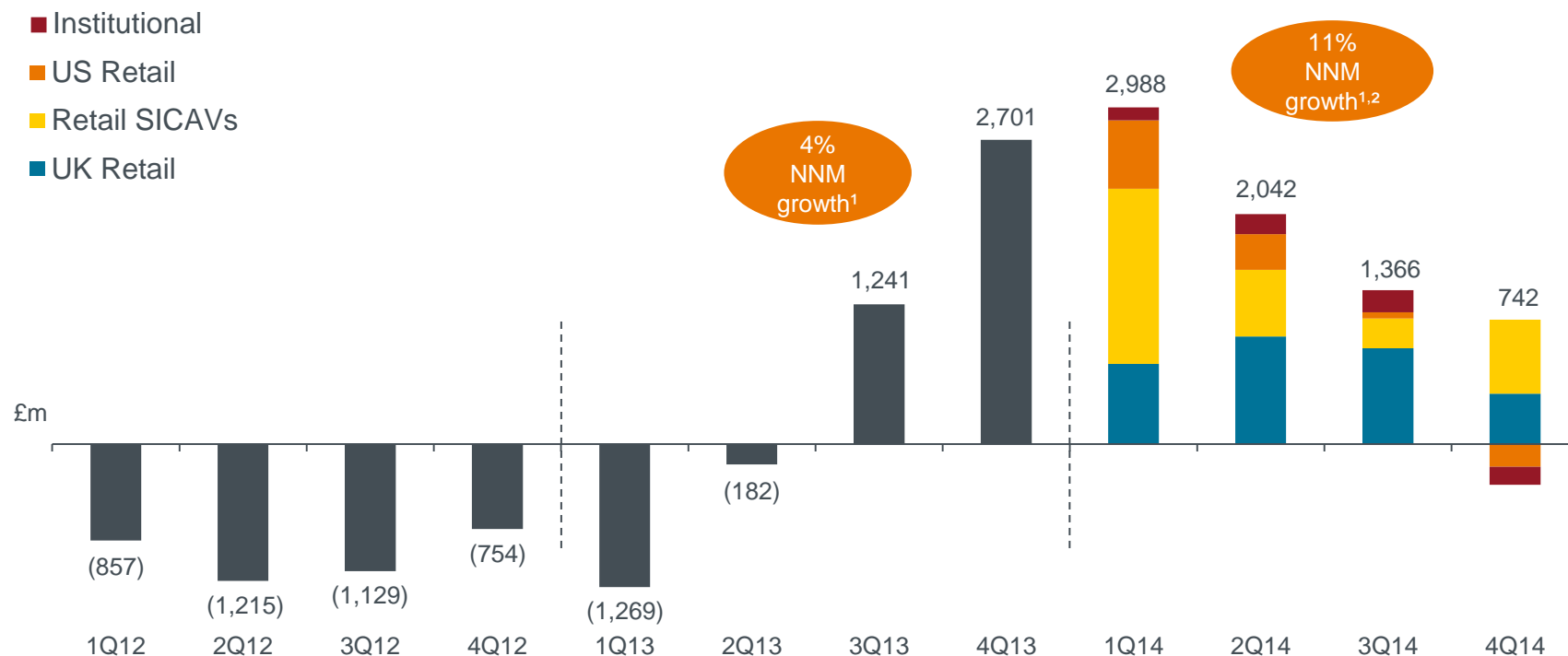
● 1<sup>st</sup> quartile/outperform/positive ● 2<sup>nd</sup> quartile ● 3<sup>rd</sup> quartile ● 4<sup>th</sup> quartile/underperform/negative

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

<sup>2</sup> Performance excludes £5.6bn of Property AUM which is the Group's 40% share of TH Real Estate AUM, but includes Henderson UK Property OEIC.

# Henderson net client flows

Gained market share in each quarter



<sup>1</sup> Net new money (NNM) growth represents net flows as a percentage of the opening AUM for the relevant period.

<sup>2</sup> Excludes AUM subject to Property transactions with TIAA-CREF and resultant TH Real Estate JV AUM (but includes Henderson UK Property OEIC).

# Institutional net flows

## Broadening our investment strategies and footprint

### 2014 flow drivers

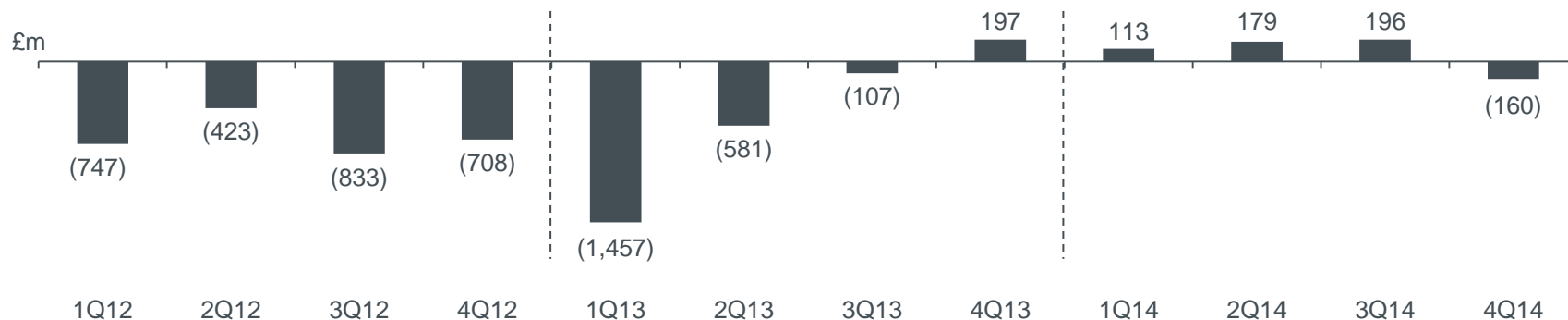
Flows into a broader range of strategies: offshore hedge funds, global equities, enhanced index as well as credit and absolute return bonds

Net outflow in 4Q14 of c£500m from Geneva Capital Management

Increasingly global: acquisition and organic growth in the US; flows from Australia and Japan as well as the UK and Continental Europe

### Looking forward

Significant mandate win adds £1.7bn AUM: revenue neutral



# UK Retail net flows

2014 significant milestone: over 10% market share of UK net sales

## 2014 flow drivers

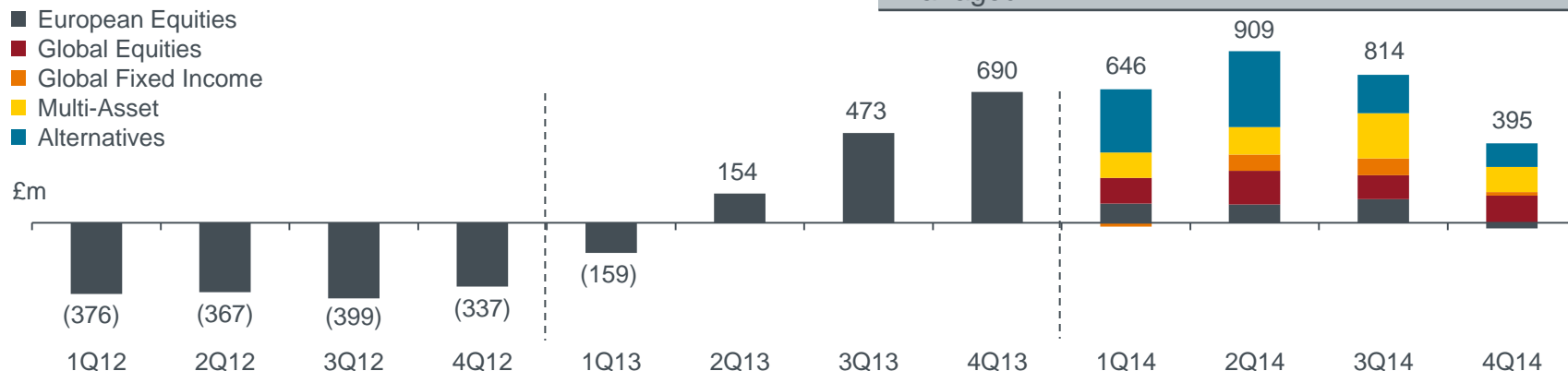
Diverse range of top selling funds: Henderson UK Property OEIC, Henderson Cautious Managed, Henderson European Selected Opportunities, Henderson European Focus, Henderson UK Absolute Return, Henderson Multi Manager Income and Growth, Henderson Strategic Bond

## Looking forward

Headwinds: departure of Richard Pease (c.£1bn Special Situations fund) and the Cirilium product range (AUM of c.£2bn, net flows of c.£500m in 2014)

Merger of Old Mutual property fund into Henderson UK Property OEIC – adds £470m of AUM

On more buy lists and in model portfolios with solutions oriented products e.g. Henderson Cautious Managed





# SICAV Retail net flows

## Diversification builds resilience

### 2014 flow drivers

Rotation from growth to more defensive styles in 2H14

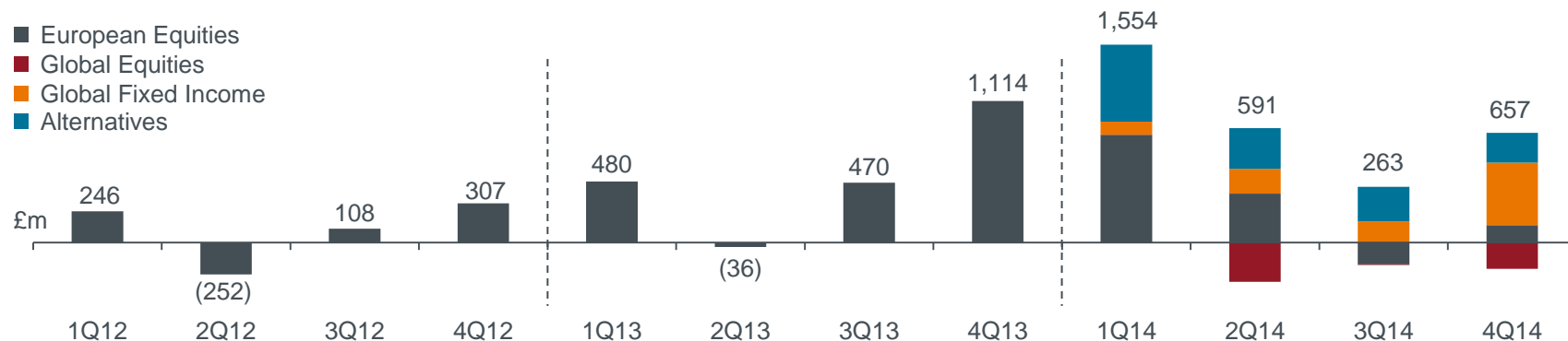
Top selling funds: Henderson Horizon European Corporate Bond, Henderson Horizon Pan European Alpha, Henderson Gartmore UK Absolute Return, Henderson Gartmore Continental European

Market share gain in European Equities

### Looking forward

QE driven rotation back into European assets

MiFID II structural changes are creating increased demand for sub-advised mandates from banking clients



# US Mutuals net flows

## Broadening beyond European Equities

### 2014 flow drivers

Henderson European Focus was the top selling European Equities fund

Strong performance from flagship funds: Henderson European Focus, Henderson Global Equity Income, International Opportunities

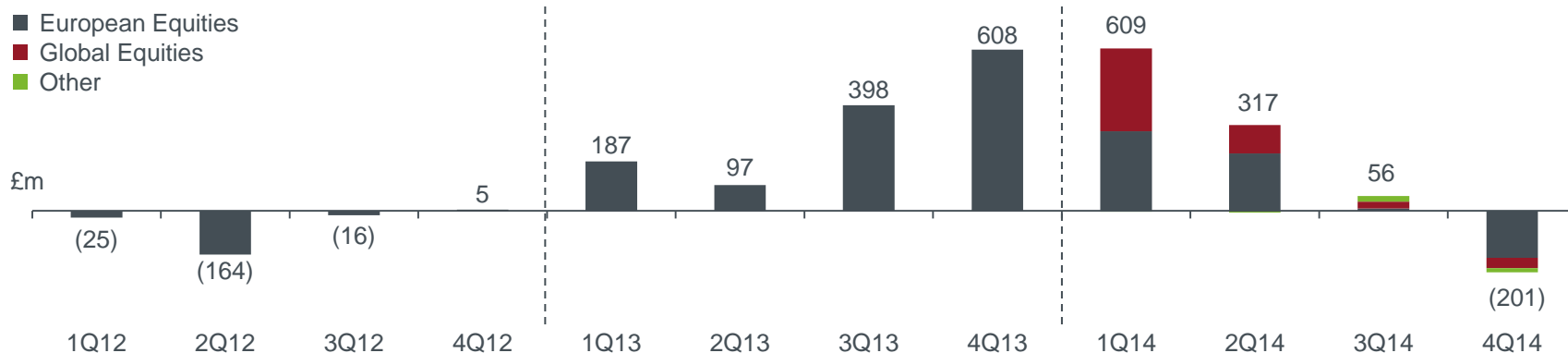
### Looking forward

Three year track records for new funds:

2015 - Dividend and Income Builder, All Asset

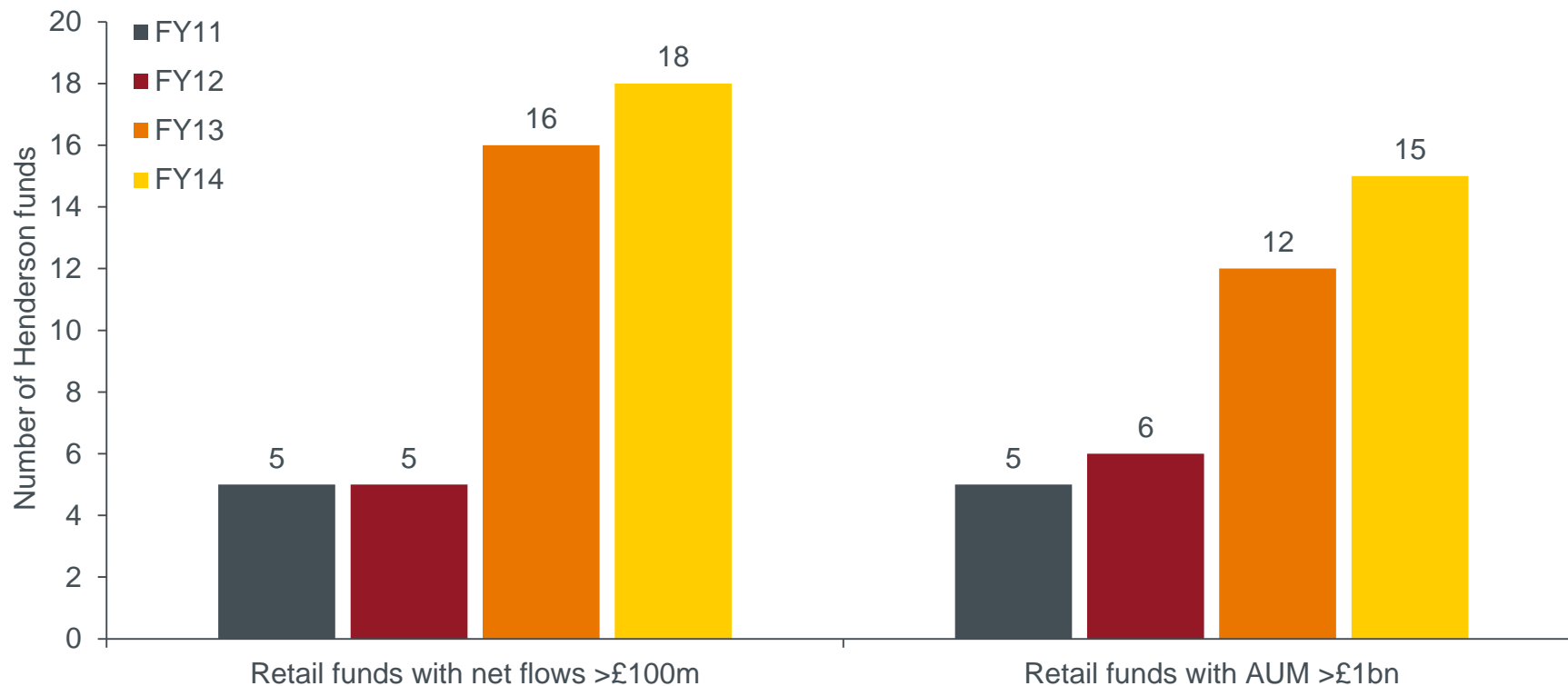
2016 - High Yield Opportunities, Unconstrained Bond

2017 - US Growth Opportunities, International Long/Short Equity, International Select Equity



# Diversification and scale

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Note: Excludes Cirilium funds for all periods.

# 2014 operating highlights

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## Delivered on our key priorities

- Strong investment performance
- Above industry net new money growth
- Substantial investment in capabilities, distribution and platforms
- Re-shaped our business where appropriate
- Maintained cost discipline
- Continued to diversify and grow

# 2014 full year results

## Financial results

**Roger Thompson**  
Chief Financial Officer

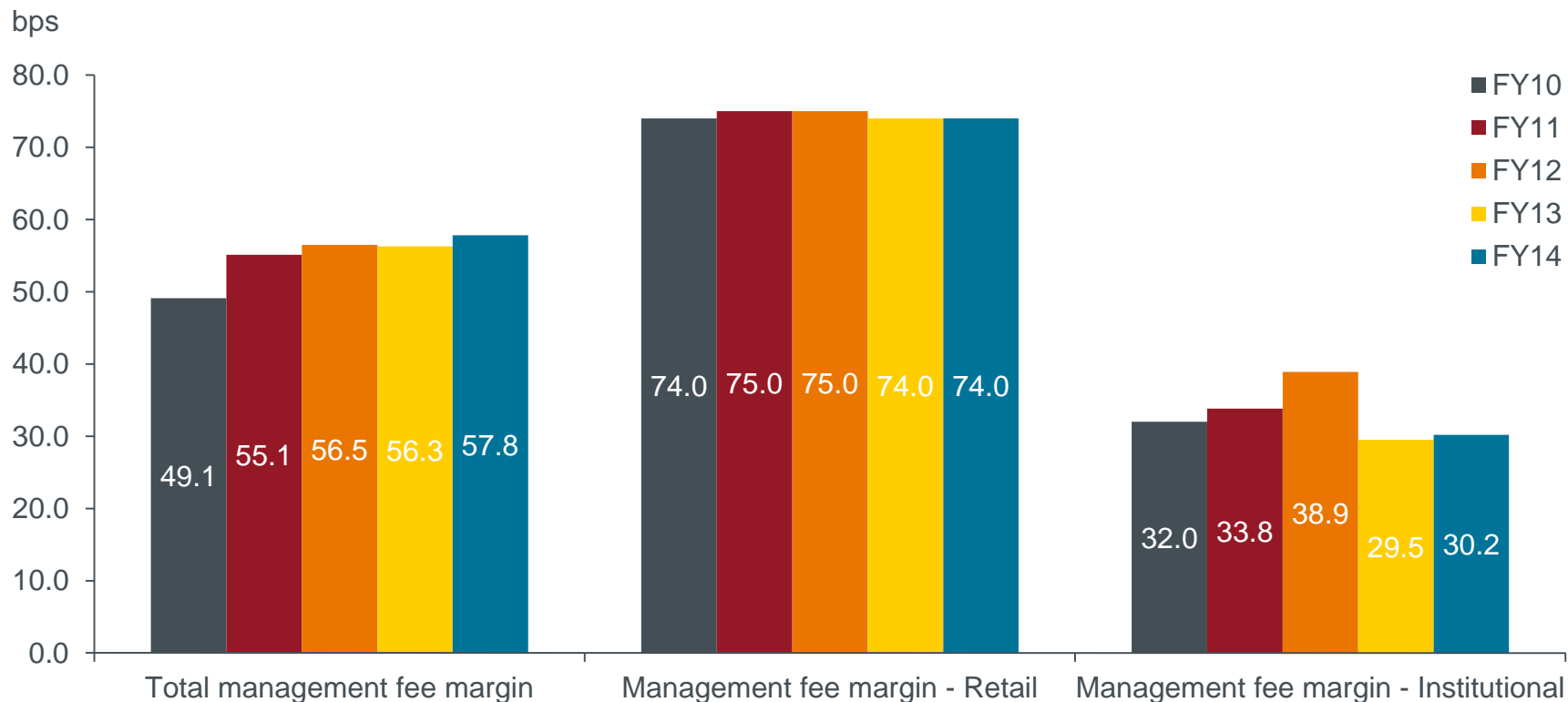
# Financial highlights

## Strong income growth

	FY14 £m	FY13 £m	Change
Management fees (net of commissions)	403.5	331.9	+22%
Performance fees	82.8	94.5	(12%)
Other income	32.5	34.9	(7%)
<b>Net fee income</b>	<b>518.8</b>	<b>461.3</b>	<b>+12%</b>
Income from associates and joint ventures	5.1	1.8	+183%
Finance income	10.1	10.2	(1%)
<b>Total income</b>	<b>534.0</b>	<b>473.3</b>	<b>+13%</b>
<b>Total expenses</b>	<b>(346.2)</b>	<b>(307.8)</b>	<b>+12%</b>
<b>Continuing operations underlying profit before tax</b>	<b>187.8</b>	<b>165.5</b>	<b>+13%</b>
Underlying continuing diluted EPS	14.7	13.0	+13%
Total dividend per share	9.0p	8.0p	+13%

# Management fee margins

Consistent fee margin; present run rate of 55bps due to change in business mix

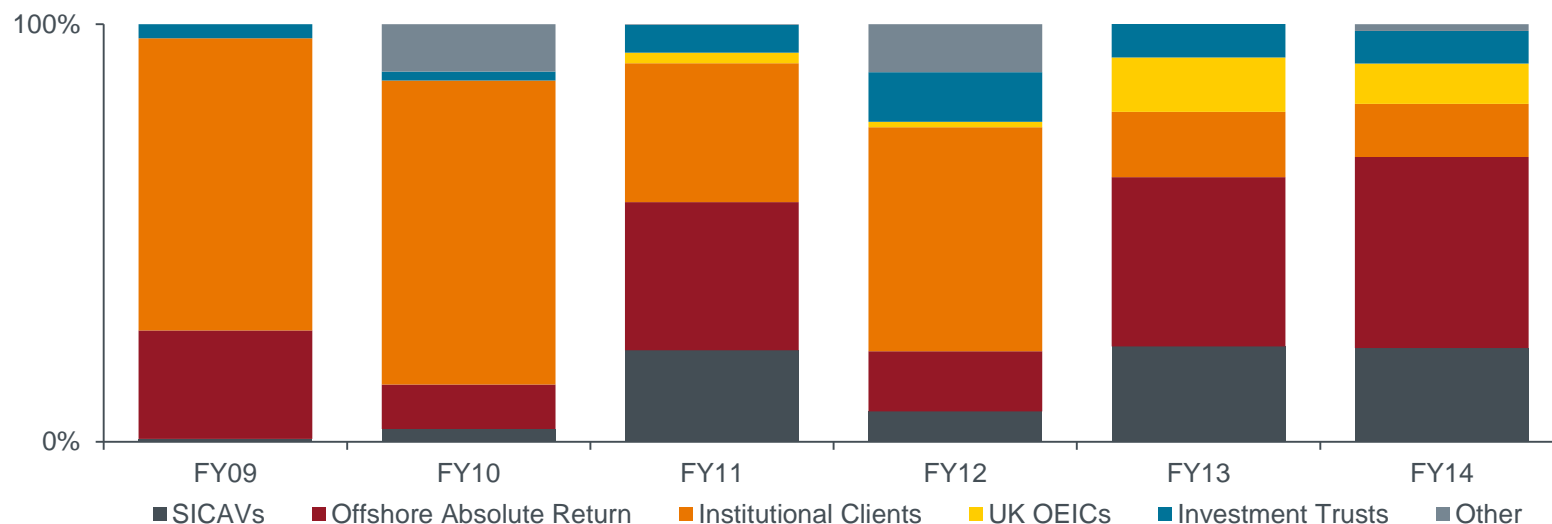


Note: Management fees and margins are calculated on total AUM, excluding JV AUM where the AUM is neither contracted to Henderson nor sub-advised to Henderson.

# Performance fees

## Diversity of fees by strategy and product

	FY09	FY10 <sup>1</sup>	FY11	FY12 <sup>2</sup>	FY13	FY14
Performance fee (% net fee income)	12.8%	12.2%	15.0%	7.2%	20.5%	16.0%
Performance fee bonus share	37.3%	36.0%	41.8%	40.3%	48.5%	49.3%
Funds generating a performance fee	33	58	73	62	92	76



<sup>1</sup> Excludes £4.8m of performance fees from Private Equity funds as no performance fee bonus was payable

<sup>2</sup> Excludes £3.5m of performance fees from Private Equity funds as no performance fee bonus was payable



# Cost drivers

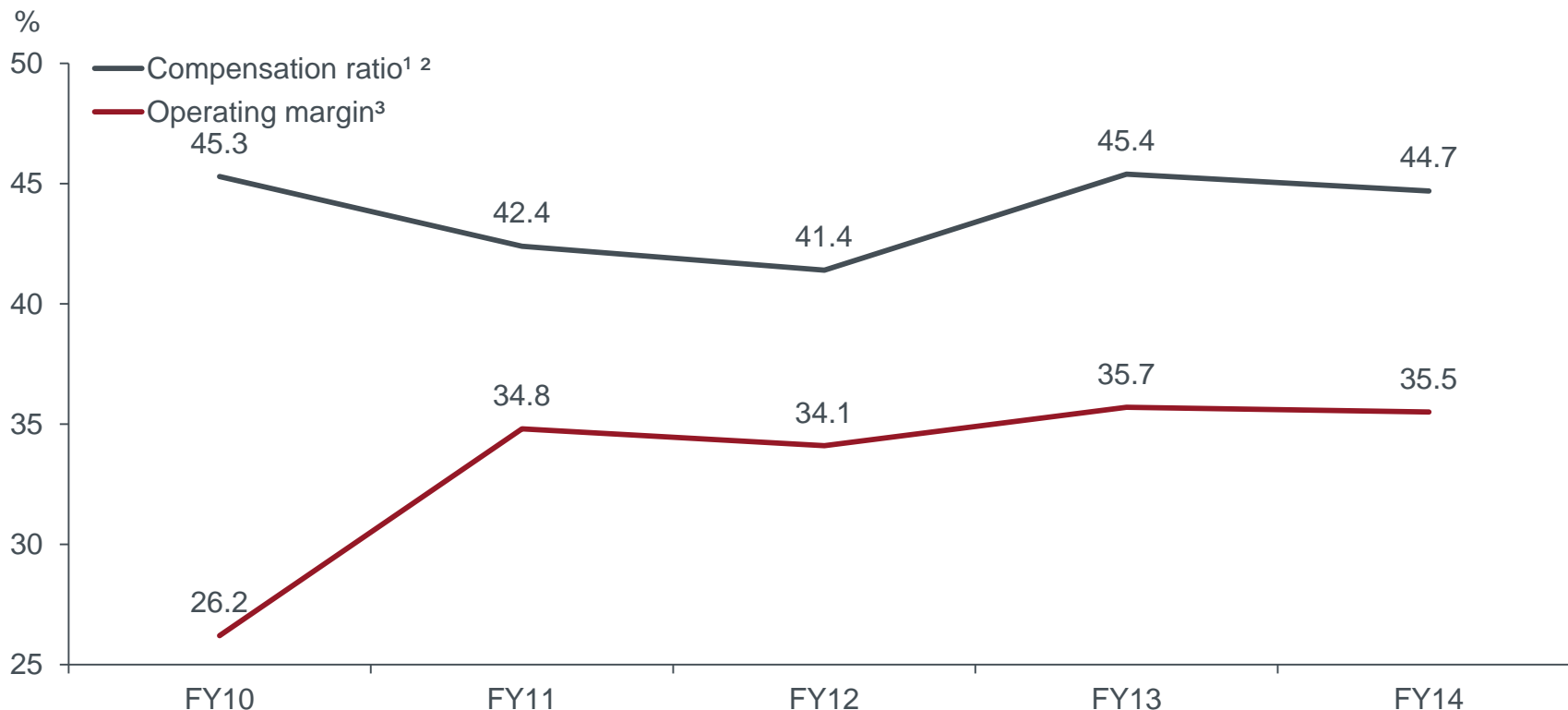
## Disciplined investment in growth

	FY14 £m	FY13 £m	Change
Fixed staff expenses <sup>1</sup>	88.4	80.6	+10%
Variable staff expenses	143.6	128.8	+11%
<b>Total staff expenses</b>	<b>232.0</b>	<b>209.4</b>	<b>+11%</b>
Non-staff operating expenses <sup>1</sup>	102.6	87.3	+18%
<b>Total operating expenses</b>	<b>334.6</b>	<b>296.7</b>	<b>+13%</b>
Finance expenses	11.6	11.1	+5%
<b>Total expenses</b>	<b>346.2</b>	<b>307.8</b>	<b>+12%</b>

<sup>1</sup> Certain costs (£3.9m in FY14 and £2.8m in FY13), including training and recruitment, have been reclassified from staff expenses to non-staff operating expenses.

# Operating margin and compensation ratio

Expected to converge at 40% over the course of our five year plan



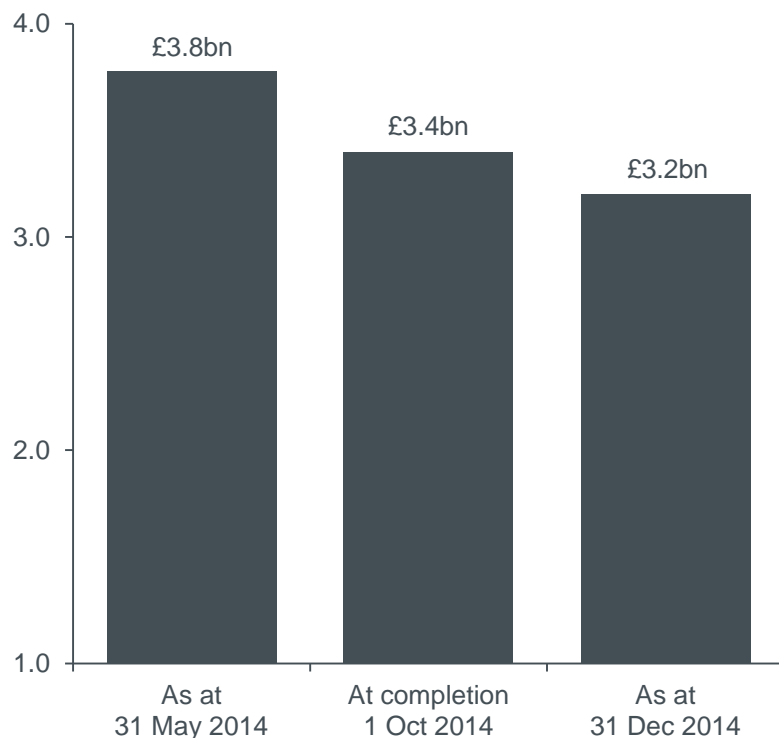
<sup>1</sup> All prior periods have been restated to reflect the exclusion of finance income from the denominator and certain costs such as training and recruitment costs from staff expenses.

<sup>2</sup> Total staff compensation and benefits from continuing operations divided by net fee income from continuing operations.

<sup>3</sup> Net fee income from continuing operations less total operating expenses from continuing operations divided by net fee income from continuing operations.

# Update on Geneva acquisition

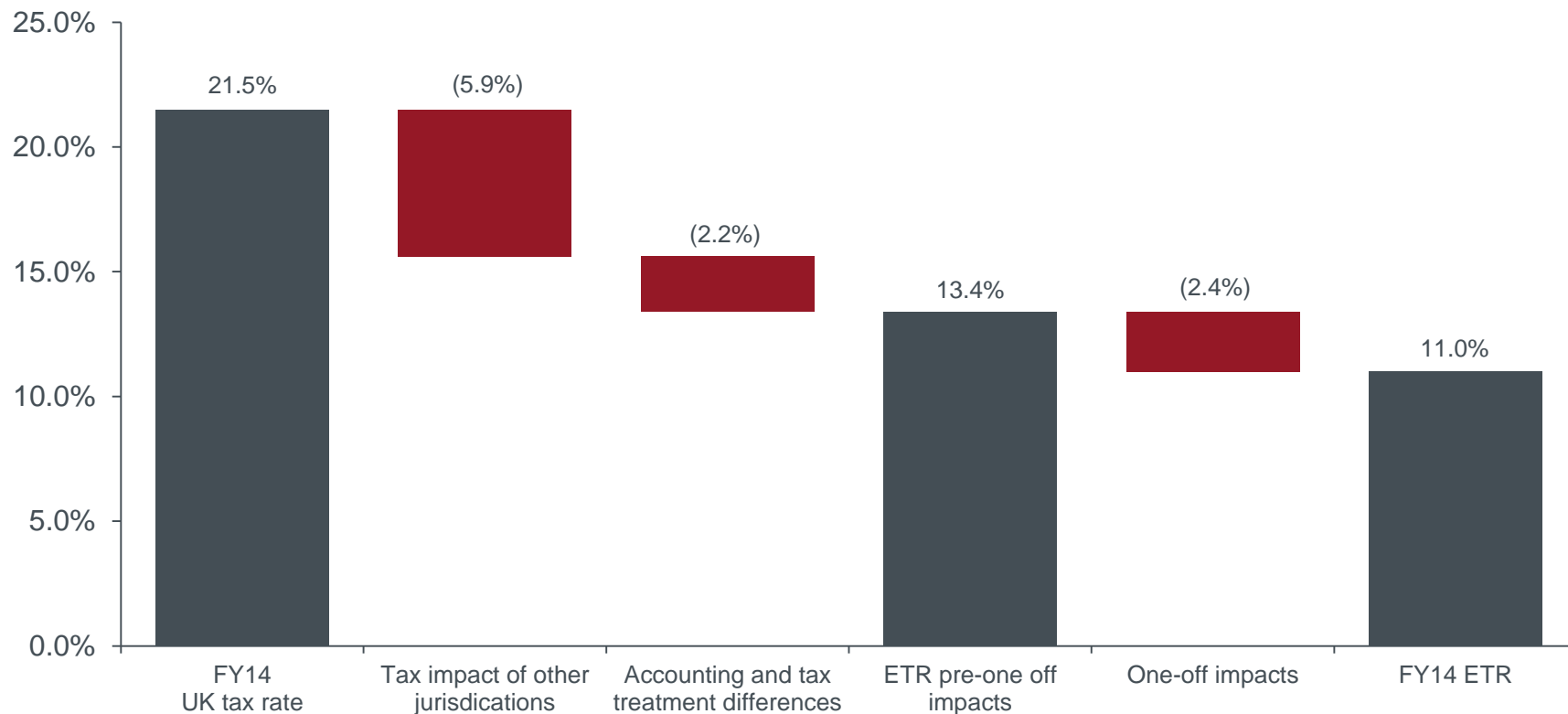
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- Excellent progress with integration
- Signs of improvement after a period of investment underperformance
- Change in AUM as expected, barring one mandate loss
- Transaction structure protects Henderson from AUM fluctuations
  - Up front consideration reduced from \$130m to \$120m
  - Deferred consideration of up to US\$55m, linked to retention of January 2014 management fee run rate
  - Earn out of up to US\$25m, linked to growth of January 2014 management fee run rate by at least 7% on a three year average basis
  - Deferred consideration and earn out measured over 6 years
- On track to achieve attractive standalone IRR and deliver strategic business benefits in the US

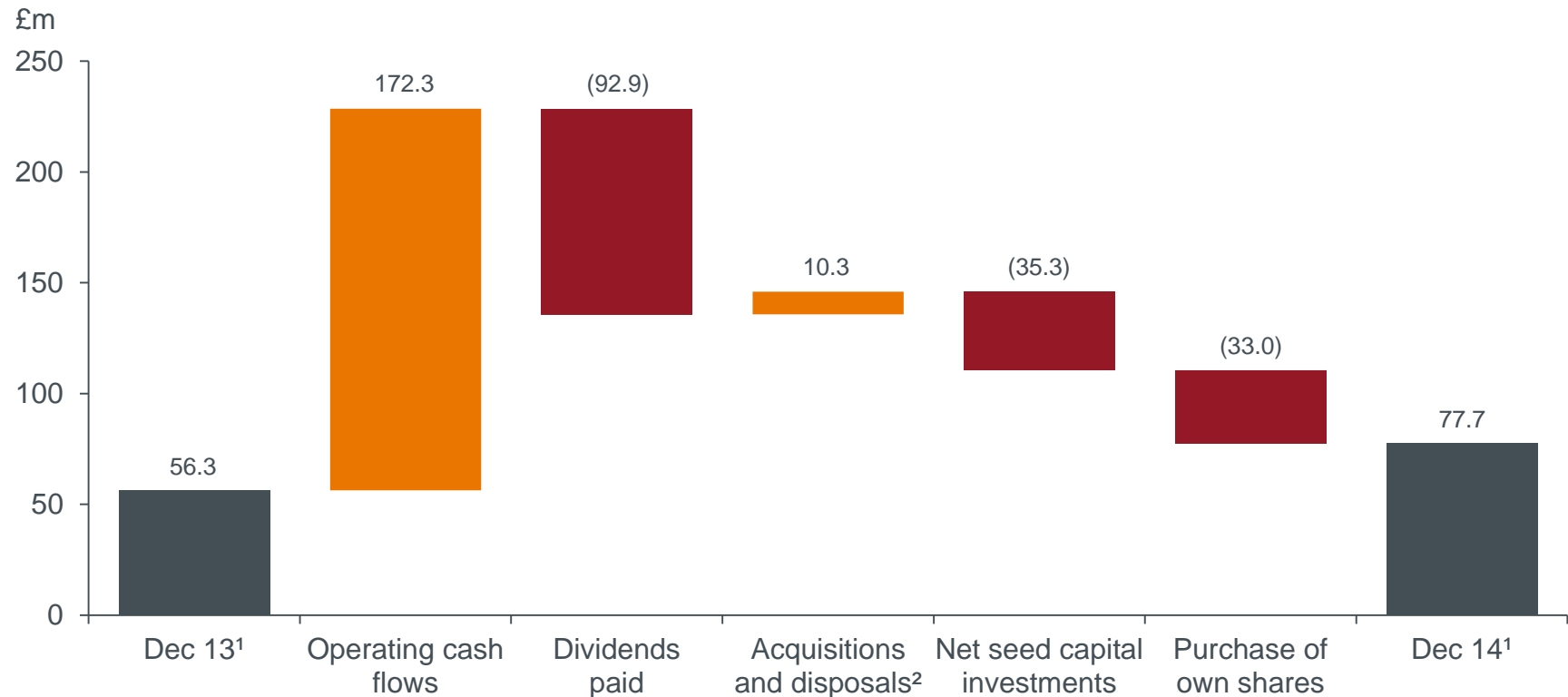
# Effective tax rate on continuing underlying profit

Effective tax rate (ETR) expected to rise through our five year plan



# Net cash generation

## Strong free cash flows



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

<sup>2</sup> Includes impact of cash lent to or owed by TH Real Estate as at 31 Dec 2014.

# Capital position

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## Cash and capital positions expected to be robust by 2H16

### Capital and cash management

- As at 31 December 2014, capital surplus of £44m over minimum regulatory requirement
- Share issuance to satisfy share scheme liabilities has ceased, and will be replaced by on-market share purchases
- £150m senior notes maturing March 2016 will be repaid from cash resources
- Expect to rebuild cash position and build into a robust level of capital by mid 2016
- Once a robust capital position is achieved, increased flexibility to redeploy excess capital

### Dividend policy

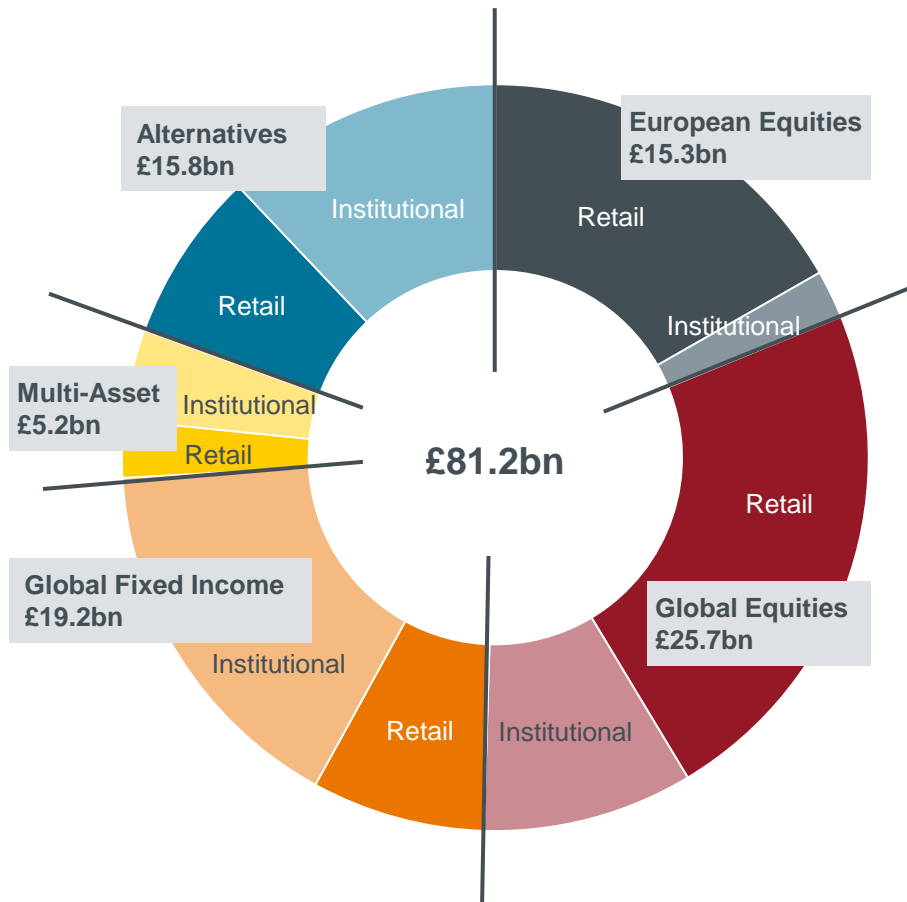
- Henderson will maintain its progressive dividend policy, and expects to grow ordinary dividends broadly in line with earnings over the medium term

# 2014 full year results **Strategy and outlook**

**Andrew Formica**  
Chief Executive

# Capabilities review

## Increasingly diverse capability set



### European Equities

- Diverse, high performance business

### Global Equities

- Strong specialist franchises, building high capacity global products

### Global Fixed Income

- Regional franchises with increasing global exposure

### Multi-Asset

- Dual track approach to serve retail and institutional markets

### Alternatives

- Expanding in liquid alternatives alongside traditional hedge funds



# European Equities

## Diverse, high performance business

### Current drivers









- Exceptional performance across a broad range of strategies
- Strong, experienced team

### Opportunities and challenges

- Well positioned to attract flows as monetary loosening in Europe drives appetite for European Equities

**AUM: £15.3bn (Retail £13.6bn; Institutional: £1.7bn)**  
**FY14 net flows: £1.9bn**

**1 year outperformance: 89%**  
**3 year outperformance: 89%**

Key funds	Product	Investment performance		AUM	FY14 net flows
		1 year	3 year		
Hn Horizon Pan European Equity	SICAV			£2.6bn	£0.2bn
Hn European Selected Opportunities	OEIC			£2.0bn	£0.3bn
Hn Gartmore Continental European	SICAV			£1.9bn	£0.6bn
Hn European Focus	US Mutual			£1.3bn	£0.3bn

# Global Equities

Strong specialist franchises, building high capacity global products

## Current drivers

- Well established track records in Global Equity Income, Global Technology, Property Securities and Cautious Managed

## Opportunities and challenges

- New teams e.g. Emerging Markets Equities

**AUM: £25.7bn (Retail £18.3bn; Institutional £7.4bn)**

**FY14 net flows: £0.7bn**

**1 year outperformance: 58%**

**3 year outperformance: 78%**

Selected key desks	AUM	Key funds	Product	Investment performance		AUM	FY14 net flows
				1 year	3 year		
Global Equity Income	£7.6bn	Hn Global Equity Income	US Mutual	●	●	£1.9bn	£0.2bn
		City of London Investment Trust	Inv Trust	●	●	£1.2bn	£0.1bn
Global Technology	£3.5bn	Hn Horizon Global Technology	SICAV	●	●	£2.1bn	-
Asia & GEMs	£3.2bn	Hn China Opportunities	OEIC	●	●	£0.5bn	£0.09bn
Global Equity	£1.6bn	International Opportunities	US Mutual	●	●	£2.4bn	£0.2bn
		World Select	OEIC	●	●	£0.1bn	(£0.01bn)

# Global Fixed Income

## Regional franchises with increasing global exposure

### Current drivers

- Demand for European investment grade credit (retail) and Buy and Maintain credit (institutional)
- Demand for higher yielding and/or lower-risk alternatives

**AUM<sup>1</sup>: £19.2bn (Retail £6.1bn; Institutional £13.1bn)**










**FY14 net flows: £0.8bn**

### Opportunities and challenges

- Global and Emerging Markets credit capabilities now in place
- Expand client base outside the UK and Europe
- Capture client demand for income and total return strategies

**1 year outperformance: 60%**

**3 year outperformance: 80%**

Selected key desks	AUM	FY14 net flows	Key funds	Product	Investment performance	
					1 year	3 year
Corporate Credit	£9.1bn	£1.0bn	Hn Horizon European Corporate Bond	SICAV		
			All Stocks Credit Fund	OEIC		
Diversified Fixed Income & Rates	£4.0bn	(£0.2bn)	Various absolute and total return institutional mandates	n/a		
Secured Credit	£1.2bn	(£0.1bn)	Hn Multi-Asset Credit Fund	Unit Trust		n/a
UK Retail Fixed Income	£2.6bn	£0.3bn	Hn Strategic Bond	OEIC		

<sup>1</sup> Excludes Phoenix AUM

# Multi-Asset

## Dual track approach to serve retail and institutional markets

### Current drivers

- Re-focus of Retail business following the sale of Cirilium

**AUM: £5.2bn (Retail £2.0bn; Institutional £3.2bn)**

**FY14 net flows: £0.4bn**

### Opportunities and challenges

- Introducing Diversified Growth and Diversified Alternatives to institutions
- New Retail offerings such as Henderson All Asset in the US

**1 year outperformance: 67%**

**3 year outperformance: 74%**

Selected key funds	Product	Investment performance		AUM	FY14 net flows
		1 year	3 year		
Institutional					
Hn Diversified Growth	OEIC	<div></div>	<div></div>	£0.2bn	£0.01bn
Hn Diversified Alternatives	OEIC	<div></div>	n/a	£0.05bn	£0.01bn
Retail					
Hn All Asset	US Mutual	<div></div>	n/a	£0.04bn	-

# Alternatives

## Expanding in liquid alternatives alongside traditional hedge funds

### Current drivers

- Strong performance in liquid alternatives
- Small but fast growing Commodities and Agriculture business

### Opportunities and challenges











- Extensions to the AlphaGen range
- Fund launches in the US and the SICAV range

**AUM: £15.8bn (Retail £6.0bn; Institutional £9.8bn)**

**FY14 net flow: £3.3bn**

**1 year outperformance: 61%**

**3 year outperformance: 100%**

Selected key desks	AUM	Key funds	Product	Investment performance		AUM	FY14 net flows
				1 year	3 year		
Equities	£4.5bn	Hn Gartmore UK Absolute Return	SICAV			£1.0bn	£0.6bn
		Hn Horizon Pan European Alpha	SICAV			£1.1bn	£0.8bn
Fixed Income	£1.4bn	Hn Absolute Return Bond	OEIC			£0.1bn	£0.05bn
Commodities and Agriculture	£0.6bn	Various absolute return institutional mandates					
Property	£8.2bn	Hn UK Property OEIC	OEIC			£2.6bn	£1.0bn

# 2015

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## Flows year to date

- Strong start to 2015, with Retail flows to 20 February tracking ahead of 2014 average
- £1.7bn institutional mandate has started to fund

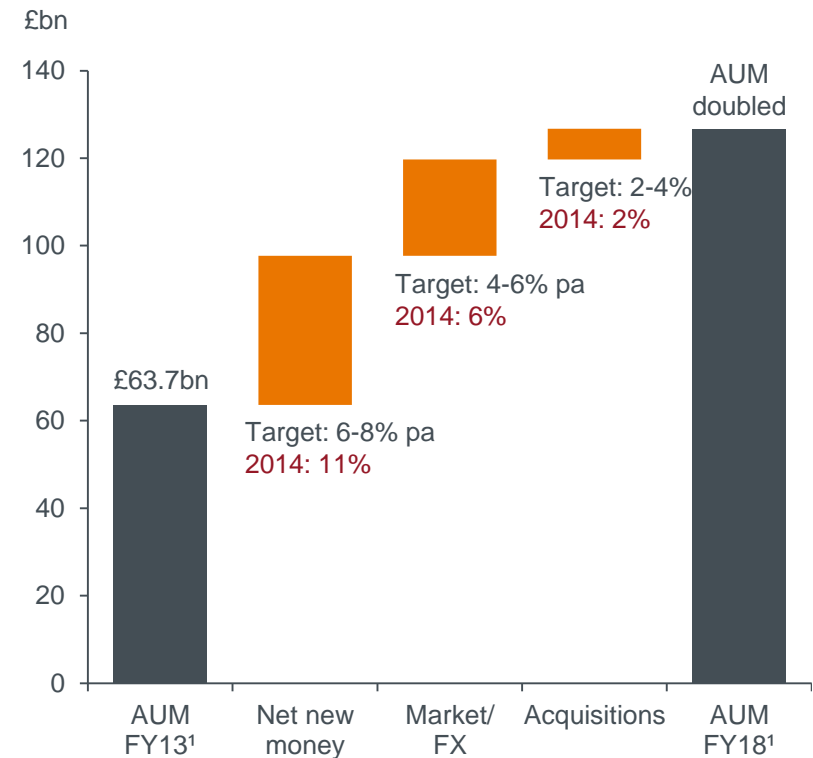
## 2015: focus on delivery

- Strong investment performance for clients
- Above industry net new money growth
- Gradual improvement in operating margin

# Our strategy: growth and globalisation

## On track with delivery

- Above industry net new money growth
- Strong investment performance
- Carefully targeted investment
  - Investment management capabilities
  - Client relationships
  - Global platforms
- Operational leverage
- Disciplined use of capital



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

# Q&A



Hedge fund Europe 50 Awards  
Henderson Japan Absolute  
Return Fund



Best Premier Group  
Best UK Smaller Companies  
Trust



Fund Manager of the Year 2014  
John Bennett





# Appendix



# Profit and loss

£m	FY13	1H14	2H14	FY14	Change
Management fees (net of commissions)	331.9	193.7	209.8	403.5	+22%
Performance fees	94.5	45.2	37.6	82.8	(12%)
Other income	34.9	15.8	16.7	32.5	(7%)
<b>Net fee income</b>	<b>461.3</b>	<b>254.7</b>	<b>264.1</b>	<b>518.8</b>	<b>+12%</b>
Income from associates and joint ventures	1.8	2.0	3.1	5.1	+183%
Finance income	10.2	5.2	4.9	10.1	(1%)
<b>Total income</b>	<b>473.3</b>	<b>261.9</b>	<b>272.1</b>	<b>534.0</b>	<b>+13%</b>
Fixed employee expenses	(80.6)	(43.2)	(45.2)	(88.4)	+10%
Variable employee expenses	(128.8)	(71.2)	(72.4)	(143.6)	+11%
Non-staff operating expenses	(87.3)	(51.3)	(51.3)	(102.6)	+18%
<b>Total operating expenses</b>	<b>(296.7)</b>	<b>(165.6)</b>	<b>(169.0)</b>	<b>(334.6)</b>	<b>+13%</b>
Finance expenses	(11.1)	(5.6)	(6.0)	(11.6)	+5%
<b>Total expenses</b>	<b>(307.8)</b>	<b>(171.2)</b>	<b>(175.0)</b>	<b>(346.2)</b>	<b>+12%</b>
<b>Continuing operations underlying profit before tax</b>	<b>165.5</b>	<b>90.7</b>	<b>97.1</b>	<b>187.8</b>	<b>+13%</b>
<b>Discontinued operation underlying profit before tax</b>	<b>24.6</b>	<b>6.3</b>	<b>1.3</b>	<b>7.6</b>	<b>(69%)</b>
<b>Total underlying profit before tax</b>	<b>190.1</b>	<b>97.0</b>	<b>98.4</b>	<b>195.4</b>	<b>+3%</b>
Tax on underlying profit from continuing operation	(17.9)	(12.7)	(7.9)	(20.6)	(15%)
Tax on underlying profit from discontinued operation	(2.9)	(1.0)	(0.3)	(1.3)	+55%
<b>Total underlying profit after tax</b>	<b>169.3</b>	<b>83.3</b>	<b>90.2</b>	<b>173.5</b>	<b>+2%</b>
<b>Acquisition related and non-recurring items</b>					
Acquisition related items	(58.4)	(29.2)	(27.8)	(57.0)	+2%
Non-recurring items	(4.3)	141.9	3.1	145.0	n/a
Tax on non-operating non-recurring items	17.9	5.2	6.0	11.2	(37%)
Tax on non-recurring items	0.6	(14.6)	0.4	(14.2)	n/a
<b>Total profit after tax</b>	<b>125.1</b>	<b>186.6</b>	<b>71.9</b>	<b>258.5</b>	<b>107%</b>

# Non-staff operating costs

	FY14 £m	FY13 £m	Change £m	Change	Notes
Investment administration	30.2	24.4	5.8	+24%	Growth in AUM and fund ranges £3.2m previously recognised in Other Income
Information technology	17.1	17.1	–	–	Expected to increase in 2015 as the cost of ownership of global infrastructure comes online
Office expenses	15.0	13.7	1.3	+9%	Invested in global footprint
Depreciation	4.7	3.2	1.5	+47%	Implementation of new global infrastructure comes online
Other expenses <sup>1</sup>	35.6	28.9	6.7	+23%	The net impact of one-off items in FY14 compared to FY13 resulted in a £5.1m increase. The remainder is due to growth in our investment in initiatives and business activities.
<b>Non-staff operating expenses</b>	<b>102.6</b>	<b>87.3</b>	<b>15.3</b>	<b>+18%</b>	

<sup>1</sup> Certain costs (£3.9m in FY14 and £2.8m in FY13), including training and recruitment, have been reclassified from staff expenses to non-staff operating expenses.

# Expenses reconciliation

## Reallocation of fixed staff expenses

	FY14 <sup>1</sup> £m	Adj. £m	FY14 <sup>3</sup> £m	Notes
Fixed staff expenses	93.1	(4.7)	88.4	£3.9m reallocation <u>from fixed staff costs</u> to non-staff operating expenses £0.8m reallocation <u>from fixed staff costs</u> to variable staff costs
Variable staff expenses	142.8	0.8	143.6	£0.8m reallocation from fixed staff costs <u>to variable staff costs</u>
<b>Total staff expenses</b>	<b>235.9</b>	<b>(3.9)</b>	<b>232.0</b>	
Non-staff operating expenses	98.7	3.9	102.6	£3.9m reallocation from fixed staff costs <u>to non-staff operating expenses</u>
<b>Total operating expenses</b>	<b>334.6</b>	<b>-</b>	<b>334.6</b>	

	1H14 <sup>2</sup> £m	Adj. £m	1H14 <sup>3</sup> £m		FY13 <sup>2</sup> £m	Adj. £m	FY13 <sup>3</sup> £m		FY12 <sup>3</sup> £m	FY11 <sup>3</sup> £m	FY10 <sup>3</sup> £m
Fixed staff expenses	44.9	(1.7)	43.2		83.2	(2.6)	80.6		83.3	82.3	65.3
Variable staff expenses	71.1	0.1	71.2		129.0	(0.2)	128.8		70.6	96.5	74.4
<b>Total staff expenses</b>	<b>116.0</b>	<b>(1.6)</b>	<b>114.4</b>		<b>212.2</b>	<b>(2.8)</b>	<b>209.4</b>		<b>153.9</b>	<b>178.8</b>	<b>139.7</b>
Non-staff operating expenses	49.6	1.6	51.2		84.5	2.8	87.3		90.8	95.9	87.9
<b>Total operating expenses</b>	<b>165.6</b>	<b>-</b>	<b>165.6</b>		<b>296.7</b>	<b>-</b>	<b>296.7</b>		<b>244.7</b>	<b>274.7</b>	<b>227.6</b>

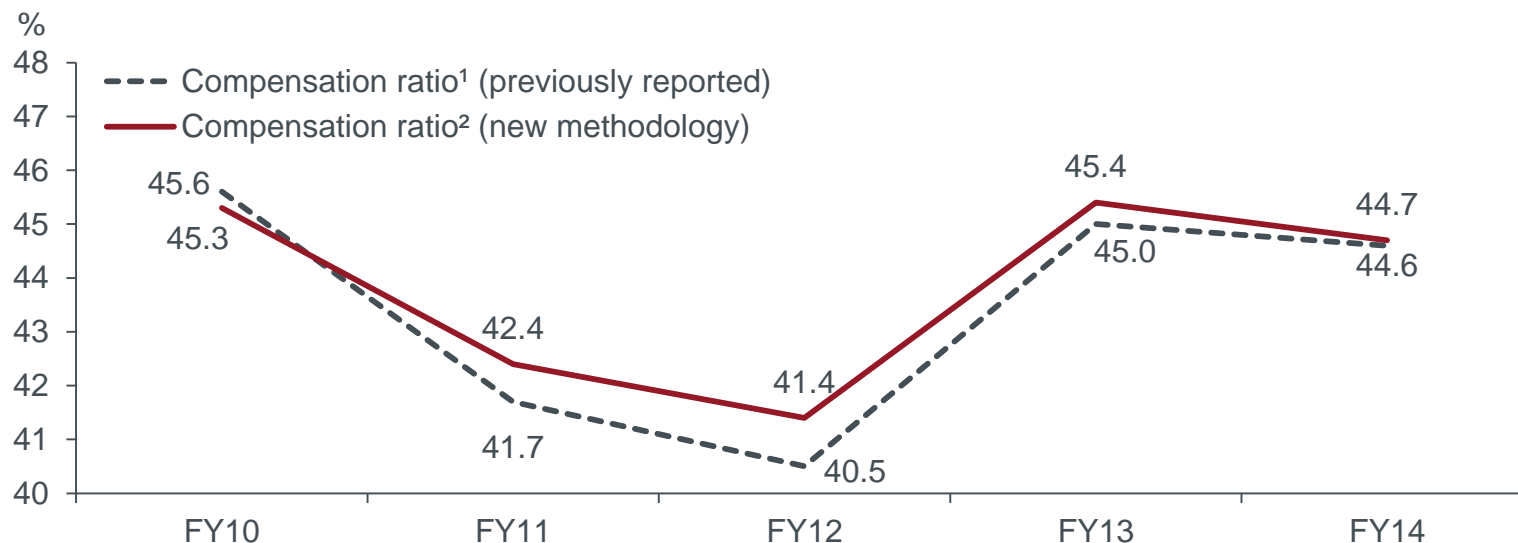
<sup>1</sup> FY14 position before the reallocation of fixed staff expenses to variable staff expenses and non-staff operating expenses.

<sup>2</sup> Previously reported position before the reallocation of expenses.

<sup>3</sup> Reported position after the reallocation of fixed staff expenses to variable staff expenses and non-staff operating expenses.

# Compensation ratio reconciliation

## Exclusion of finance income under new methodology



		FY10	FY11	FY12	FY13	FY14
Previously reported	Total staff compensation and benefits	143.3	180.7	156.3	212.2	235.9
	Total income (excluding income from associates and JVs)	314.0	433.1	385.6	471.5	528.9
New methodology	Staff compensation and benefits	139.7	178.8	153.9	209.4	232.0
	Total net fee income	308.2	421.5	371.5	461.3	518.8

<sup>1</sup> Staff compensation and benefits from continuing operations divided by total income from continuing operations excluding income from associates and joint ventures.

<sup>2</sup> Staff compensation and benefits from continuing operations divided by total net fee income from continuing operations.

# Capital position

Group achieves a capital surplus, without waiver

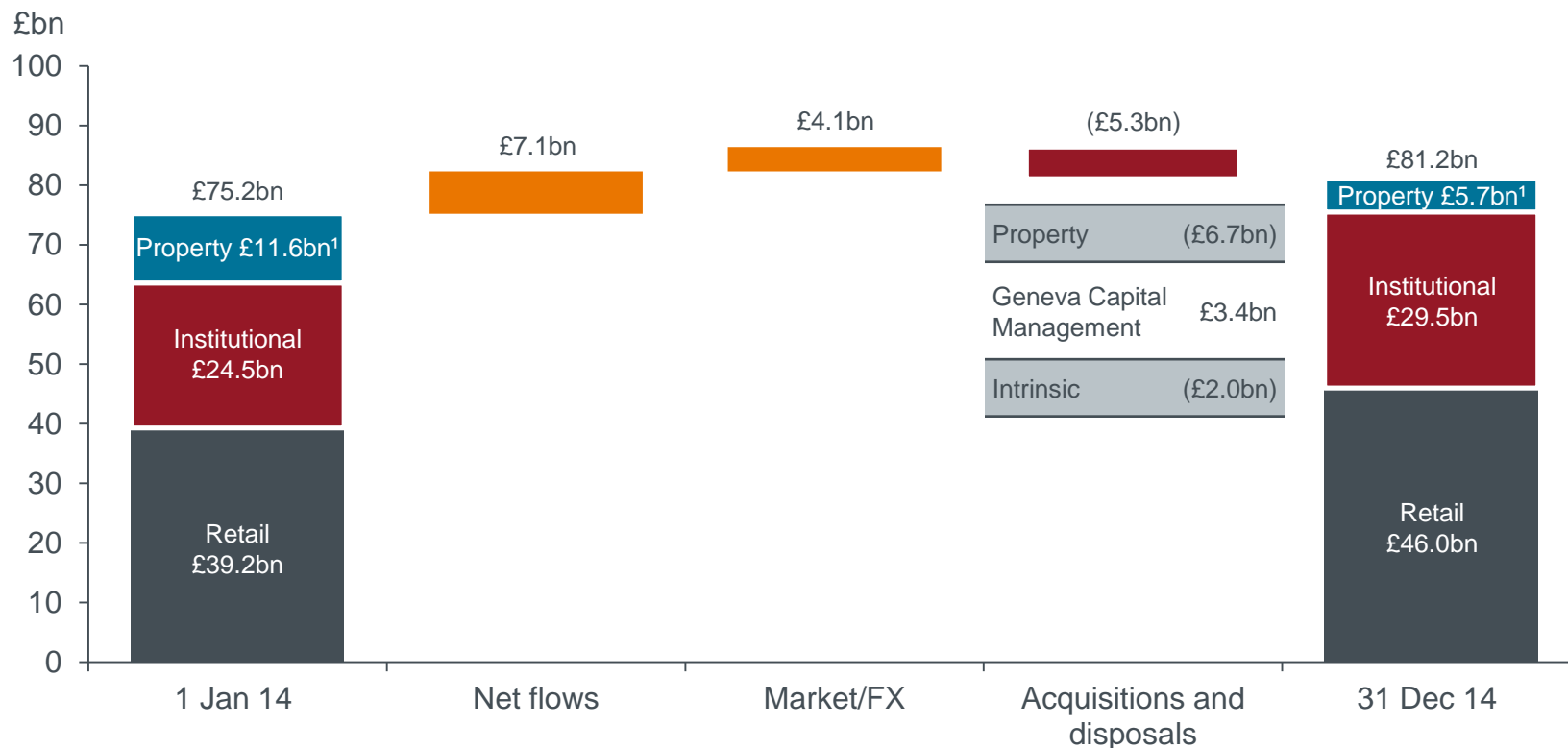
	31 Dec 2014 £m
<b>Consolidated capital resources of Henderson Group plc</b>	<b>1,016</b>
Difference in goodwill and intangibles of PFHC <sup>1</sup> compared with Henderson Group plc	532
Other differences in capital between PFHC <sup>1</sup> and Henderson Group plc	110
<b>Consolidated capital resources of PFHC<sup>1</sup></b>	<b>1,658</b>
<b>Capital deductions</b>	
Goodwill and intangibles <sup>2</sup>	(1,191)
Retirement benefit assets <sup>2</sup>	(108)
Deferred tax assets	(36)
Dividend declared	(73)
Material holdings and other	(42)
<b>Total capital</b>	<b>208</b>
Group capital requirement	(164)
<b>Surplus capital<sup>3</sup></b>	<b>44</b>

<sup>1</sup> PFHC refers to the Group's Parent Financial Holding Company, its top EEA company (Henderson Group Holdings Asset Management Limited) which will be subject to consolidated supervision in April 2016 once the Group's waiver from consolidated supervision expires.

<sup>2</sup> Net of deferred tax liability

<sup>3</sup> Calculated based on the Group's Pillar 2 capital requirement as approved by the Board in its 30 June 2014 ICAAP.

# FY14 AUM movements – summary



<sup>1</sup> Excludes Henderson UK Property OEIC AUM as Henderson sub-advises to TH Real Estate, but includes Henderson's 40% stake in TH Real Estate.

# AUM and fund flows

£m	1Q14			2Q14				3Q14			4Q14				
	Openin g AUM 1 Jan 14	Net flows	Mkt /FX	Closing AUM 31 Mar 14	Net flows	Acq & displs	Mkt /FX	Closing AUM 30 Jun 14	Net flows	Mkt /FX	Closing AUM 30 Sep 14	Net flows	Acq & displs	Mkt /FX	Closing AUM 31 Dec 14
UK OEICs/Unit Trusts/Other	18,706	646	289	19,641	909	-	106	20,656	814	97	21,567	395	(1,975)	628	20,615
SICAVs	10,607	1,554	196	12,357	591	-	(66)	12,882	263	(38)	13,107	657	-	407	14,171
US Mutuals	5,009	609	(17)	5,601	317	-	(10)	5,908	56	44	6,008	(201)	-	198	6,005
Investment Trusts	4,931	66	86	5,083	46	-	(12)	5,117	37	(82)	5,072	51	-	93	5,216
<b>Total Retail</b>	<b>39,253</b>	<b>2,875</b>	<b>554</b>	<b>42,682</b>	<b>1,863</b>	<b>-</b>	<b>18</b>	<b>44,563</b>	<b>1,170</b>	<b>21</b>	<b>45,754</b>	<b>902</b>	<b>(1,975)</b>	<b>1,326</b>	<b>46,007</b>
UK OEICs/Unit Trusts	7,736	(24)	32	7,744	(7)	-	140	7,877	1,031	115	9,023	(213)	-	283	9,093
SICAVs	1,341	(30)	35	1,346	20	-	(8)	1,358	61	(11)	1,408	(116)	-	(26)	1,266
Offshore Absolute Return Funds	2,466	(94)	48	2,420	38	17	(37)	2,438	34	46	2,518	9	-	(14)	2,513
Managed CDOs	387	(26)	(3)	358	(43)	-	(10)	305	(26)	(5)	274	(22)	-	(1)	251
Segregated Mandates and Property	23,158	291	215	23,664	67	(11,752)	42	12,021	(930)	341	11,432	(54)	3,391	761	15,530
TH Real Estate (40% share)	-	-	-	-	123	5,056	7	5,186	29	83	5,298	262	-	90	5,650
Private Equity Funds <sup>1</sup>	869	(5)	95	959	(19)	-	(6)	934	(4)	(80)	850	(26)	-	(1)	823
Other <sup>2</sup>	26	1	1	28	-	-	-	28	1	-	29	-	-	-	29
<b>Total Institutional</b>	<b>35,983</b>	<b>113</b>	<b>423</b>	<b>36,519</b>	<b>179</b>	<b>(6,679)</b>	<b>128</b>	<b>30,147</b>	<b>196</b>	<b>489</b>	<b>30,832</b>	<b>(160)</b>	<b>3,391</b>	<b>1,092</b>	<b>35,155</b>
<b>Total Group</b>	<b>75,236</b>	<b>2,988</b>	<b>977</b>	<b>79,201</b>	<b>2,042</b>	<b>(6,679)</b>	<b>146</b>	<b>74,710</b>	<b>1,366</b>	<b>510</b>	<b>76,586</b>	<b>742</b>	<b>1,416</b>	<b>2,418</b>	<b>81,162</b>

<sup>1</sup> Private Equity Funds' AUM is based on 30 Sep 2014 valuations.

<sup>2</sup> Other includes US Mutuals, together with investment trusts and Australian managed investment schemes.



# AUM and fund flows

## By asset class

£m	1Q14			2Q14				3Q14			4Q14					Closing AUM avg net mgmt fee <sup>2</sup> (bps)
	Opening AUM 1 Jan 14	Net flows	Mkt / FX	Closing AUM 31 Mar 14	Net flows	Acq & displs	Mkt / FX	Closing AUM 30 Jun 14	Net flows	Mkt / FX	Closing AUM 30 Sep 14	Net flows	Acq & displs	Mkt / FX	Closing AUM 31 Dec 14	
Equity	42,204	2,808	409	45,421	1,356	17	40	46,834	859	128	47,821	(131)	1,414	1,602	50,706	68
Fixed Income	19,090	(174)	406	19,322	419	(106)	129	19,764	215	328	20,307	362	2	651	21,322	30
Property	13,055	363	66	13,484	292	(6,590)	(17)	7,169	293	134	7,596	534	-	165	8,295	n/a
Private Equity <sup>1</sup>	887	(9)	96	974	(25)	-	(6)	943	(1)	(80)	862	(23)	-	-	839	128
<b>Total Group</b>	<b>75,236</b>	<b>2,988</b>	<b>977</b>	<b>79,201</b>	<b>2,042</b>	<b>(6,679)</b>	<b>146</b>	<b>74,710</b>	<b>1,366</b>	<b>510</b>	<b>76,586</b>	<b>742</b>	<b>1,416</b>	<b>2,418</b>	<b>81,162</b>	<b>57</b>

## Absolute Return sub-analysis

£m	1Q14			2Q14				3Q14			4Q14				
	Opening AUM 1 Jan 14	Net flows	Mkt / FX	Closing AUM 31 Mar 14	Net flows	Acq & displs	Mkt / FX	Closing AUM 30 Jun 14	Net flows	Mkt / FX	Closing AUM 30 Sep 14	Net flows	Acq & displs	Mkt / FX	Closing AUM 31 Dec 14
Retail	1,924	745	45	2,714	425	-	(62)	3,077	162	1	3,240	95	-	60	3,395
Institutional	3,084	39	1	3,124	24	17	(33)	3,132	219	(43)	3,308	(46)	-	(40)	3,222
<b>Total Group</b>	<b>5,008</b>	<b>784</b>	<b>46</b>	<b>5,838</b>	<b>449</b>	<b>17</b>	<b>(95)</b>	<b>6,209</b>	<b>381</b>	<b>(42)</b>	<b>6,548</b>	<b>49</b>	<b>-</b>	<b>20</b>	<b>6,617</b>

<sup>1</sup> Private Equity AUM based on 30 Sep 2014 valuations.

<sup>2</sup> Based on closing management fee bps excluding joint ventures and associates AUM.

# AUM and fund flows

## By capability

£m	1Q14			2Q14			3Q14			4Q14					
	Opening AUM 1 Jan 14	Net flows	Mkt /FX	Closing AUM 31 Mar 14	Net flows	Acq & displs	Mkt /FX	Closing AUM 30 Jun 14	Net flows	Mkt /FX	Closing AUM 30 Sep 14	Net flows	Acq & displs	Mkt /FX	Closing AUM 31 Dec 14
European Equities	13,299	1,255	418	14,972	700	-	(243)	15,429	(10)	(334)	15,085	(50)	-	230	15,265
Global Equities	19,810	863	(46)	20,627	184	-	289	21,100	132	439	21,671	(491)	3,367	1,184	25,731
Global Fixed Income	17,275	(200)	91	17,166	236	(106)	134	17,430	225	319	17,974	559	24	639	19,196
Multi-Asset	6,430	4	(1)	6,433	104	-	82	6,619	197	85	6,901	98	(1,975)	187	5,211
Alternatives <sup>1</sup>	18,422	1,066	515	20,003	818	(6,573)	(116)	14,132	822	1	14,955	626	-	178	15,759
<b>Total Group</b>	<b>75,236</b>	<b>2,988</b>	<b>977</b>	<b>79,201</b>	<b>2,042</b>	<b>(6,679)</b>	<b>146</b>	<b>74,710</b>	<b>1,366</b>	<b>510</b>	<b>76,586</b>	<b>742</b>	<b>1,416</b>	<b>2,418</b>	<b>81,162</b>

<sup>1</sup> Alternatives includes Property and Private Equity AUM, with the latter based on 30 Sep 2014 valuations.

# 18 Retail funds with net flows of £100m+ in FY14

Fund	Fund range	Capability	FY14 net flows	AUM
Henderson UK Property OEIC	UK OEIC/UT	Alternatives	£1,044m	£2.6bn
Henderson Horizon Euro Corporate Bond	SICAV	Global Fixed Income	£889m	£2.2bn
Henderson Horizon Pan European Alpha	SICAV	Alternatives	£799m	£1.1bn
Henderson Gartmore UK Absolute Return	SICAV	Alternatives	£628m	£1.1bn
Henderson Gartmore Continental European	SICAV	European Equities	£622m	£1.9bn
Henderson Cautious Managed	UK OEIC/UT	Global Equities	£494m	£2.1bn
Henderson Horizon Euroland	SICAV	European Equities	£357m	£0.5bn
Henderson European Focus	US Mutual	European Equities	£349m	£1.3bn
Henderson European Selected Opportunities	UK OEIC/UT	European Equities	£319m	£2.0bn
Henderson Gartmore Pan European	SICAV	European Equities	£243m	£0.4bn
Henderson Global Equity Income	US Mutual	Global Equities	£241m	£1.9bn
Henderson Horizon Pan European Equity	SICAV	European Equities	£218m	£2.6bn
International Opportunities	US Mutual	Global Equities	£192m	£2.4bn
Henderson European Focus	UK OEIC/UT	European Equities	£147m	£0.3bn
Henderson UK Absolute Return	UK OEIC/UT	Alternatives	£117m	£0.4bn
Henderson Multi Manager Income & Growth	UK OEIC/UT	Multi Asset	£106m	£0.5bn
The City of London Investment Trust	Inv Trust	Global Equities	£106m	£1.2bn
Henderson Strategic Bond	UK OEIC/UT	Global Fixed Income	£104m	£1.2bn
<b>Total</b>			<b>£6,974m</b>	<b>£25.7bn</b>

Excludes Cirilium funds.

# 15 Retail funds with AUM of £1bn+ at 31 Dec 14

Fund	Fund range	Capability	FY14 net flows	AUM
Henderson UK Property OEIC	UK OEIC/UT	Alternatives	£1,044m	£2.6bn
Henderson Horizon Pan European Equity	SICAV	European Equities	£218m	£2.6bn
International Opportunities	US Mutual	Global Equities	£192m	£2.4bn
Henderson Horizon Euro Corporate Bond	SICAV	Global Fixed Income	£889m	£2.2bn
Henderson Horizon Global Technology	SICAV	Global Equities	(£2m)	£2.1bn
Henderson Cautious Managed	UK OEIC/UT	Global Equities	£494m	£2.1bn
Henderson European Selected Opportunities	UK OEIC/UT	European Equities	£319m	£2.0bn
Henderson Gartmore Continental European	SICAV	European Equities	£622m	£1.9bn
Henderson Global Equity Income	US Mutual	Global Equities	£241m	£1.9bn
Henderson European Focus	US Mutual	European Equities	£349m	£1.3bn
Henderson Strategic Bond	UK OEIC/UT	Global Fixed Income	£104m	£1.2bn
The City of London Investment Trust	Inv Trust	Global Equities	£106m	£1.2bn
Henderson Horizon Pan European Alpha	SICAV	Alternatives	£799m	£1.1bn
Henderson Gartmore UK Absolute Return	SICAV	Alternatives	£628m	£1.1bn
Henderson European Special Situations	UK OEIC/UT	European Equities	(£46m)	£1.0bn
<b>Total</b>			<b>£5,958m</b>	<b>£26.7bn</b>

Excludes Cirilium funds

# Performance fees

## Diversity of fees by strategy and product

	FY14 £m	1H14 £m	2H14 £m	FY13 £m
SICAVs	18.6	10.7	7.9	21.6
Offshore Absolute Return	38.1	18.4	19.7	38.3
Institutional Clients	10.3	8.4	1.9	14.8
UK OEICs	8.0	5.1	2.9	12.3
Investment Trusts	6.5	1.7	4.8	7.6
Other	1.3	0.9	0.4	(0.1)
<b>Total performance fees</b>	<b>82.8</b>	<b>45.2</b>	<b>37.6</b>	<b>94.5</b>

# Performance fees

	UK OEICs	SICAVs	Investment Trusts	Offshore Absolute Return <sup>1</sup>	Institutional/ Secured Credit/ Private Equity	Non Performance Fee fund ranges <sup>2</sup>	Total (excluding TH Real Estate)
AUM 31 December 2014 excluding TH Real Estate (£bn)	29.5	15.4	5.2	2.5	16.8	6.1	75.5
Number of funds with performance fee potential	5	25	8	31	61	-	130.0
AUM with performance fee potential (£bn)	1.0	11.5	1.9	2.0	9.7	-	26.1
Performance fee gross FY14 (£m)	8.0	18.6	6.5	38.1	11.6	-	82.8
Number of funds generating performance fees in FY14 <sup>3</sup>	5	15	8	19	29	-	76
AUM 31 December 2014 generating FY14 performance fee (£bn) <sup>3</sup>	1.0	4.7	1.9	1.1	6.3	-	14.9
AUM with performance fee crystallisation date in 2015 (£bn)	1.0	11.5	1.9	1.9	9.7	-	26.0
Number of funds with a 2015 performance fee crystallisation date	5	25	8	30	60	-	128
AUM with an uncrystallised performance fee at 31 December 2014 vesting in 2015 (£bn) <sup>4</sup>	0.5	3.4	1.7	0.8	n/a	-	6.5
AUM within 5% of an uncrystallised performance fee at 31 December 2014 vesting in 2015 £bn <sup>4</sup>	0.5	4.4	-	0.3	n/a	-	5.2
Performance fee range (%) of outperformance	15-20%	10-20%	15%	10-20%	4-28%		
Performance fee frequency	Quarterly	23 Annually, 2 Quarterly	Annually	Annually	Quarterly and Annually		
Performance fee timing	Various	23 at June, 2 on Quarters	Various	Various	Various		
Performance fee methodology	Relative/Absolute plus HWM	Relative plus HWM	Relative plus HWM	Absolute plus HWM	Bespoke		

n/a – not available

<sup>1</sup> Includes Offshore Managed Accounts.

<sup>2</sup> Predominantly US Mutuals.

<sup>3</sup> For Offshore Absolute Return, this analysis excludes funds earning performance fees on redemption and only includes those with a period end crystallisation date.

<sup>4</sup> This excludes Offshore Absolute Return of c£0.1bn of AUM that has a performance fee, but the 31 Dec position is unavailable. In addition, this excludes c£0.1bn of Offshore Absolute Return AUM that earns a performance fee only on redemption.

# Investment performance

## Asset-weighted of funds measured

### Funds at/above benchmark (%)<sup>1</sup>

	1 year FY14	3 years FY14
UK OEICs/Unit Trusts/Other	58%	85%
SICAVs	73%	95%
US Mutuals	96%	96%
Investment Trusts	62%	71%
Offshore Absolute Return	89%	100%
Segregated Institutional Mandates	54%	61%
<b>Total<sup>2</sup></b>	<b>66%</b>	<b>83%</b>

### Asset class (%)

	1 year FY14	3 years FY14
Equities	70%	84%
Fixed Income	60%	80%
Property <sup>3</sup>	0%	100%
<b>Total<sup>2</sup></b>	<b>66%</b>	<b>83%</b>

<sup>1</sup> Asset-weighted, percentage of funds achieving or beating benchmark/percentile ranking over 1 or 3 years.

<sup>2</sup> Excludes liquidity funds and Private Equity. Total performance based upon asset capability.

<sup>3</sup> Includes only Henderson UK Property OEIC AUM.

# Financial position

## Debt, equity and ratios

	31 Dec 14 £m	31 Dec 13 <sup>1</sup> £m
2016 notes	149.4	148.9
Gross debt at par	150.0	150.0
Unrestricted cash and cash equivalents	227.7	206.3
Net cash <sup>2</sup>	77.7	56.3
Total equity	1,018	836.3

## Gearing ratios and interest cover

	31 Dec 14	31 Dec 13 <sup>1</sup>
Gross debt/total equity	0.1x	0.2x
Gross debt/EBITDA <sup>3</sup>	0.8x	0.9x
Interest cover <sup>3</sup>	17.3x	15.3x

<sup>1</sup> Historical financials have been restated, where necessary, upon adoption of IFRS 10 Consolidated Financial Statements.

<sup>2</sup> Based on outstanding debt at par.

<sup>3</sup> Based on results from continuing operations.



# EPS and dividend

## Increase in EPS and dividend

	FY14	FY13 <sup>1</sup>	Change
Underlying profit before tax from continuing operations	£187.8m	£165.5m	+13%
Discontinued operation profit before tax	£7.6m	£24.6m	(69%)
<b>Total underlying profit before tax</b>	<b>£195.4</b>	<b>£190.1m</b>	<b>+2.8%</b>
Tax on underlying profit from continuing operations	(£20.6m)	(£17.9m)	(15%)
Tax on underlying profit from discontinued operations	(£1.3m)	(£2.9m)	+55%
<b>Underlying profit after tax</b>	<b>£173.5m</b>	<b>£169.3m</b>	<b>+2.5%</b>
Underlying ETR on continuing operations	11.0%	10.9%	-2.8%
Weighted average number of shares	1,139.8	1,137.0	+0.1%
<b>Underlying continuing diluted EPS</b>	<b>14.7p</b>	<b>13.0p</b>	<b>+12%</b>
Total underlying diluted EPS	15.2p	14.9p	+2.0%
<b>Total dividend per share</b>	<b>9.0p</b>	<b>8.0p</b>	<b>+13%</b>

<sup>1</sup> Historical financials have been restated, where necessary, upon adoption of IFRS 10 Consolidated Financial Statements.

# EPS calculation

	FY13 £m	1H14 £m	2H14 £m	FY14 £m
Continuing underlying profit before tax	£165.5m	£90.7m	£97.1m	£187.8m
Discontinued operation underlying profit before tax	£24.6m	£6.3m	£1.3m	£7.6m
Less: tax on continuing underlying profit	(£17.9m)	(£12.7m)	(£7.9m)	(£20.6m)
Less: tax on discontinued underlying profit	(£2.9m)	(£1.0m)	(£0.3m)	(£1.3m)
<b>Total underlying profit after tax attributable to equity holders of the parent</b>	<b>£169.3m</b>	<b>£83.3m</b>	<b>£90.2m</b>	<b>£173.5m</b>
Acquisition related items post tax	(£40.5m)	(£29.2m)	(£27.8m)	(£45.8m)
Non-recurring items post tax	(£3.7m)	£141.9m	£3.1m	£130.8m
<b>Profit after tax attributable to equity holders of the parent</b>	<b>£125.1</b>	<b>£186.6</b>	<b>£71.9</b>	<b>£258.5</b>
Weighted average number of ordinary shares for the purpose of basic EPS (m)	1,058.8	1,080.4	n/a	1,085.2
Weighted average number of ordinary shares for the purpose of diluted EPS (m)	1,137.0	1,153.4	n/a	1,139.8
Basic EPS based on total underlying profit after tax	16.0p	7.7p	n/a	16.0p
<b>Basic EPS based on continuing underlying profit after tax</b>	<b>13.9p</b>	<b>7.2p</b>	<b>n/a</b>	<b>15.4p</b>
Diluted EPS based on total underlying profit after tax	14.9p	7.2p	8.0p	15.2p
<b>Diluted EPS based on continuing underlying profit after tax</b>	<b>13.0p</b>	<b>6.8p</b>	<b>7.8p</b>	<b>14.7p</b>

<sup>1</sup> Historical financials have been restated, where necessary, upon adoption of IFRS 10 Consolidated Financial Statements.

# Share issuance

	1H12	2H12	1H13	2H13	1H14	2H14	1H15 <sup>1</sup> (est)
Share scheme issuance (m)	12.3	4.2	3.5	5.4	9.6	6.1	1.6
Closing share count (m)	1,110	1,114	1,118	1,123	1,133	1,139	1,141
Dilution (%)	1.11%	0.38%	0.31%	0.48%	0.85%	0.54%	0.14%
Cumulative dilution (%)	1.64%	2.02%	2.32%	2.79%	3.62%	4.14%	4.28%
Shares held by employee benefit trusts (m)		70.9		47.5		48.5	

<sup>1</sup> Share scheme issuance estimates based on January 2015 issuance and estimated February 2015 issuance, as the purchase of shares for all obligations will start in March 2015.

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### **Important information**

This presentation issued by Henderson Group plc (or the “Group”) is a summary of certain information contained in the stock exchange announcements dated 25 February 2015 (relating to the Group’s full year results to 31 December 2014) and should be read in conjunction with, and subject to, the full text of those announcements.

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