

Interim Management Statement

30 October 2014

Henderson Group plc (“Henderson”) publishes its third quarter Interim Management Statement today. The comments below refer to the period 30 June 2014 to 30 September 2014 (“the period”) unless otherwise stated.

Key points

- Assets under management (“AUM”) up 2.5% to £76.6bn on 30 September 2014 (30 June 2014: £74.7bn), rising to £79.9bn on 1 October with completion of the acquisition of Geneva Capital Management.
- Net inflows of £1.4bn, driven by continued momentum in UK Retail, positive European Retail and global Institutional flows.
- Investment performance remained strong, with 71% of funds outperforming over one year and 83% over three years.

Andrew Formica, Chief Executive of Henderson, said: “This has been another quarter of strong flows. Despite tougher market conditions and reduced investor appetite, particularly in European Equities, Henderson continued to take market share and delivered net inflows of £1.4bn. Net new money growth in the first nine months of 2014 stands at 13% on an annualised basis, a strong start to the plan we outlined at the beginning of this year.

“Current markets are proving challenging, as investors seek safety in cash and lower risk products. We expect these conditions to persist while the outlook for world economies remains uncertain. Whilst we remain vigilant on costs, recent investments in our business have positioned us well, with a broad product range and a more geographically diverse business.”

Investment performance

Funds at / above benchmark	As at 30 September 2014		As at 30 June 2014	
	1 year	3 years	1 year	3 years
European Equities	76%	82%	61%	88%
Global Equities	63%	76%	55%	80%
Global Fixed Income	77%	87%	85%	95%
Multi-Asset	64%	81%	85%	66%
Alternatives ¹	73%	100%	75%	100%
TOTAL	71%	83%	69%	86%

¹ Includes Henderson UK Property OEIC and excludes Private Equity performance.

Performance is calculated as a 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.

Investment performance remained strong in the period. Improved performance from Henderson Horizon Pan European Equity helped European Equities, whilst a small deterioration in some larger funds pulled back performance in Multi-Asset. The improvement in Global Equities was driven by a very good quarter of relative performance for Henderson Horizon Global Technology. In Fixed Income, client portfolios remained positioned for an increase in bond yields, which drove a deterioration in one year performance.

AUM and flows

Channel (£m)	Opening AUM	Net flows	Market / FX	Closing AUM
	30 Jun 14	3Q14		30 Sep 14
Retail	44,563	1,170	21	45,754
Institutional ¹	30,147	196	489	30,832
TOTAL AUM	74,710	1,366	510	76,586

¹ Private Equity AUM based on 30 June 2014 valuations.

Core capability (£m)	Opening AUM	Net flows	Market / FX	Closing AUM
	30 Jun 14	3Q14		30 Sep 14
European Equities	15,429	(10)	(334)	15,085
Global Equities	21,100	132	439	21,671
Global Fixed Income	17,430	225	319	17,974
Multi-Asset	6,619	197	85	6,901
Alternatives ^{1,2}	14,132	822	1	14,955
TOTAL AUM	74,710	1,366	510	76,586

¹ Includes Property and Private Equity AUM.

² Private Equity AUM based on 30 June 2014 valuations.

Total AUM increased by £1.9bn in the period to £76.6bn, driven by strong UK Retail flows, positive European Retail and global Institutional flows and solid investment performance despite volatile markets.

Henderson's European Equities flows were flat despite industry outflows in the period, with clients rotating into more defensive European equities products as well as absolute return offerings in the Alternatives range.

Retail net flows totalled £1.2bn for the period, as Henderson continued to gain market share despite an industry-wide slowdown in flows.

Net flows of £814m into UK OEICs, Unit Trusts and Other were driven by continuing market share gains in this important market. Henderson's diverse range of top-selling funds - Henderson UK Property, Henderson Euro Selected Opportunities, Henderson Cautious Managed, Henderson Strategic Bond and Henderson Multi Manager Income and Growth - includes styles which meet current investor demand for defensive and income focused strategies.

Net flows into SICAVs (which are distributed primarily in Europe and Latin America) remained positive at £263m, but slowed from previous periods. The quarter was characterised by clients seeking marginal reduction in risk, shifting from pure growth strategies to fixed income and absolute return. The most significant net flows in the SICAV range were into Henderson Gartmore UK Absolute Return, Henderson Horizon European Corporate Bond, Henderson Horizon Pan European Alpha, Henderson Gartmore Pan European and Henderson Horizon Euroland.

Net flows into US Mutuals slowed to £56m in the third quarter, reflecting a reduction in client demand for European and International equities. Henderson continues to broaden its US Mutual Fund range, with Henderson International Select Equity, Henderson US Growth Opportunities and Henderson International Long/Short slated to launch before year end.

Institutional net flows continued their recent positive trend. Mandate wins reflected early success for Global Equities in the US and the recently acquired Global Commodities capability in Australia.

Events since the end of 3Q14

On 1 October 2014, Henderson completed its acquisition of Geneva Capital Management ("Geneva"), the US growth equity manager. This is an important strategic milestone for Henderson's North American business. Geneva brings proven investment expertise in mid- and small-cap US high quality growth equities to add to Henderson's international capabilities, and a predominantly institutional client base which complements Henderson's strong US Retail presence. With the acquisition of Geneva, Henderson's pro forma AUM as at 1 October 2014 rises to £79.9bn.

On 23 October 2014, Henderson announced a transaction which will lead to the merger of the Old Mutual Property Fund ("OMPF"), which has AUM of £437m, with the Henderson UK Property fund ("HUKP"). Following the merger, HUKP's assets will increase to approximately £2.7bn on a pro forma basis. The acquisition and merger are expected to complete early in 2015, subject to customary regulatory and investor approval. HUKP will continue to be sub-advised by TIAA Henderson Real Estate.

Update on tax rate

Following the resolution of some one-off outstanding tax matters, Henderson expects its underlying effective tax rate for the 12 months ended 31 December 2014 to be around two percentage points lower than the rate of 14.1% reported for 1H14.

Balance sheet, cash position and share count

Henderson's balance sheet at 30 September 2014 shows total net assets of £956.7m (30 June 2014: £952.4m), including total unrestricted cash and cash equivalents of £236.3m (30 June 2014: £252.8m). Following payment of the Interim dividend and increased seed capital investment, the net cash position is £86.3m at 30 September 2014 (30 June 2014: £102.8m).

An updated estimate of the number of shares to be factored in to 2014 EPS calculations is included in Appendix 3.

2014 full year results

Henderson intends to release its 2014 full year results on 25 February 2015.

Conference call

Chief Executive Andrew Formica will host a conference call to discuss the Q3 IMS on 30 October 2014 at 9.00am (London time) / 8.00pm (Sydney time).

Andrew will be joined on the call by Phil Wagstaff, Global Head of Distribution; Richard McNamara, Managing Director, Finance; and Miriam McKay, Head of Investor Relations.

Teleconference details

Participants are recommended to start dialling in 5-10 minutes prior to the start of the presentation.

<i>Dialling from:</i>	
United Kingdom	0800 694 5707 (free call)
Australia	1800 628 784 (free call)
All other countries	+44 (0) 1452 541 003 (this is not a free call number)
Conference title	Henderson Group, Interim Management Statement
Conference ID	23713634
Chair person	Andrew Formica
<i>Replay number, dialling from:</i>	
United Kingdom	0800 953 1533; Access code: 23713634
All other countries	+44 (0) 1452 550 000; Access code: 23713634
	<i>Available from 30 October to 13 November 2014</i>

Audio cast details

You can log on to an audio cast of the IMS briefing which will start at 9.00am (London time) / 8.00pm (Sydney time) via the relevant link on www.henderson.com/group.

An archive of the audio cast will be available shortly after the event.

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Appendix 1: 3Q14 Detailed fund flows and AUM

£ million		Opening AUM	Net flows	Market / FX	Closing AUM
		30 Jun 14	3Q14		30 Sep 14
AUM BY CHANNEL					
Retail	UK OEICs/ Unit Trusts/ Other SICAVs	20,656	814	97	21,567
	US Mutuals	12,882	263	(38)	13,107
	Investment Trusts	5,908	56	44	6,008
		5,117	37	(82)	5,072
	Total Retail	44,563	1,170	21	45,754
Institutional	UK OEICs/ Unit Trusts ¹	7,877	1,031	115	9,023
	SICAVs	1,358	61	(11)	1,408
	Offshore Absolute Return Funds	2,438	34	46	2,518
	Segregated Mandates ^{1,2}	12,021	(930)	341	11,432
	TH Real Estate (40% share)	5,186	29	83	5,298
	Private Equity Funds ³	934	(4)	(80)	850
	Other ⁴	333	(25)	(5)	303
	Total Institutional	30,147	196	489	30,832
TOTAL AUM		74,710	1,366	510	76,586
Absolute return sub analysis					
Retail		3,077	162	1	3,240
Institutional		3,132	219	(43)	3,308
TOTAL ABSOLUTE RETURN		6,209	381	(42)	6,548

¹ The significant inflows into UK OEICs/Unit Trusts and offsetting outflows from segregated mandates are as a result of a client reorganising its portfolio to invest directly in the UK OEIC pooled fund.

² Geneva's AUM will be reported in Segregated Mandates, and almost entirely in the Global Equities capability.

³ Private Equity AUM based on 30 June 2014 valuations.

⁴ Predominantly US Mutuals, together with investment trusts and Australian managed investment schemes.

£ million		Opening AUM	Net flows	Market / FX	Closing AUM
		30 Jun 14	3Q14		30 Sep 14
AUM BY ASSET CLASS					
Equity ¹		46,834	859	128	47,821
Fixed Income		19,764	215	328	20,307
Property		7,169	293	134	7,596
Private Equity ²		943	(1)	(80)	862
TOTAL AUM		74,710	1,366	510	76,586

¹ Includes Multi-Asset.

² Private Equity AUM based on 30 June 2014 valuations.

Appendix 2: Detailed fund flows and AUM – nine months to 30 September 2014

£ million		Opening AUM	Net flows	Acquisitions & disposals ¹	Market / FX	Closing AUM	Net flows	Market / FX	Closing AUM
		31 Dec 13	1H14			30 Jun 14	3Q14		30 Sep 14
AUM BY CHANNEL									
Retail	UK OEICs/ Unit Trusts/ Other	18,706	1,555	-	395	20,656	814	97	21,567
	SICAVs	10,607	2,145	-	130	12,882	263	(38)	13,107
	US Mutuals	5,009	926	-	(27)	5,908	56	44	6,008
	Investment Trusts	4,931	112	-	74	5,117	37	(82)	5,072
	Total Retail	39,253	4,738	-	572	44,563	1,170	21	45,754
Institutional	UK OEICs/ Unit Trusts ²	7,736	(31)	-	172	7,877	1,031	115	9,023
	SICAVs	1,341	(10)	-	27	1,358	61	(11)	1,408
	Offshore Absolute Return Funds	2,466	(56)	17	11	2,438	34	46	2,518
	Segregated Mandates and Property ^{2,3}	23,158	358	(11,752)	257	12,021	(930)	341	11,432
	TH Real Estate (40% share)	-	123	5,056	7	5,186	29	83	5,298
	Private Equity Funds ⁴	869	(24)	-	89	934	(4)	(80)	850
	Other ⁵	413	(68)	-	(12)	333	(25)	(5)	303
	Total Institutional	35,983	292	(6,679)	551	30,147	196	489	30,832
TOTAL AUM		75,236	5,030	(6,679)	1,123	74,710	1,366	510	76,586
Absolute return sub analysis									
Retail		1,924	1,170	-	(17)	3,077	162	1	3,240
Institutional		3,084	63	17	(32)	3,132	219	(43)	3,308
TOTAL ABSOLUTE RETURN		5,008	1,233	17	(49)	6,209	381	(42)	6,548

¹ Acquisitions and disposals reflect property transactions and inclusion of 40% TH Real Estate AUM as well as additional stake in 90 West.

² The significant inflows into UK OEICs/Unit Trusts and offsetting outflows from segregated mandates are as a result of a client reorganising its portfolio to invest directly in the UK OEIC pooled fund.

³ Geneva's AUM will be reported in Segregated Mandates, and almost entirely in the Global Equities capability.

⁴ Private Equity AUM based on 30 June 2014 valuations.

⁵ Predominantly US Mutuals, together with investment trusts and Australian managed investment schemes.

£ million		Opening AUM	Net flows	Acquisitions & disposals ¹	Market / FX	Closing AUM	Net flows	Market / FX	Closing AUM
		31 Dec 13	1H14			30 Jun 14	3Q14		30 Sep 14
AUM BY ASSET CLASS									
Equity ²		42,204	4,164	17	449	46,834	859	128	47,821
Fixed Income		19,090	245	(106)	535	19,764	215	328	20,307
Property		13,055	655	(6,590)	49	7,169	293	134	7,596
Private Equity ³		887	(34)	-	90	943	(1)	(80)	862
TOTAL AUM		75,236	5,030	(6,679)	1,123	74,710	1,366	510	76,586

¹ Acquisitions and disposals reflect property transactions and inclusion of 40% TH Real Estate AUM as well as additional stake in 90 West.

² Includes Multi-Asset.

³ Private Equity AUM based on 30 June 2014 valuations.

Appendix 3: Number of shares for earnings per share (EPS) calculations¹

Weighted average	FY14E (Million)
Issued share capital	1,130.9
Less: own shares held	(45.4)
Weighted average number of ordinary shares for the purpose of basic EPS	1,085.5
Add: dilutive impact of share options and awards ²	51.1
Weighted average number of ordinary shares for the purpose of diluted EPS	1,136.6

¹ This is a full-year weighted average number of shares based on current issued share capital and employee share plans, adjusted for expected movements until the end of 2014.

² Expected options vesting is calculated based on the measurement of performance conditions at 30 September 2014 and assumes that all options are exercised at the earliest opportunity. The dilutive impact of such vestings is calculated against the projected weighted average Group share price for 2014.

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About Henderson

Henderson is an independent global asset manager, specialising in active investment. Named after its first client and founded in 1934, Henderson is a client-focused global business with 900 employees worldwide and assets under management of £79.9 billion (pro forma 1 Oct 2014). Its core areas of investment expertise are European equities, global equities, global fixed income, multi-asset and alternatives.

Henderson is dual-listed on the Australian Securities Exchange (ASX) and the London Stock Exchange (LSE) and has a market capitalisation of approximately £2.2 billion (October 2014).

Further information can be found at www.henderson.com/group.

Forward-looking statements and other important information

This announcement contains forward-looking statements with respect to the financial condition, results and business of Henderson Group plc. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend on circumstances, that will occur in the future. Henderson's actual future results may differ materially from the results expressed or implied in these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

The content of the websites referred to in this announcement is not incorporated into and does not form part of this announcement. Nothing in this announcement should be construed as or is intended to be a solicitation for or an offer to provide investment advisory services.