



ANNUAL SHORT REPORT

For the year ended
31 August 2016

Henderson
GLOBAL INVESTORS

Henderson European Growth Fund

Henderson European Growth Fund

Short Report

For the year ended 31 August 2016

Investment Fund Manager

Simon Rowe

Investment objective and policy

To achieve long-term capital growth. The fund will invest principally in the securities of European companies. In addition to ordinary shares, the fund may also invest in preference shares, debt securities convertible into ordinary stocks and shares, money-market instruments and deposits. The fund may also invest outside of Europe if the investment adviser believes that it is in the interest of the fund.

Risk and reward profile

The fund currently has 4 types of share class in issue:

A accumulation, I accumulation, Z accumulation and S income. The risk and reward profile of each type of share class is as follows:



The synthetic risk and reward indicator (SRRI) is calculated based on historical volatility over a rolling 5 year period, it is reviewed monthly and updated if volatility has changed materially to cause a movement in the SRRI level. The SRRI is an indicator and may not accurately reflect future volatility and market conditions.

The value of an investment in the fund can go up or down. When you sell your shares, they may be worth less than you paid for them. The risk/reward rating above is based on medium-term volatility. In the future, the fund's actual volatility could be higher or lower and its rated risk/reward level could change.

The lowest category does not mean risk free.

The fund's risk level reflects the following:

- The fund focuses on a single region
- As a category shares are, in general, more volatile than either bonds or money market instruments
- Fluctuations in exchange rates may cause the value of your investment to rise or fall

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events. Under normal market conditions the following risks may apply:

Counterparty risk The fund could lose money if a counterparty with which it transacts becomes unwilling or unable to meet its obligations to the fund.

Default risk The issuers of certain bonds could become unable to make payments on their bonds. The risk of default may be higher where the fund invests in sub-investment grade bonds.

Liquidity risk In difficult market certain securities could become hard to value or sell at a desired time and price.

Management risk Investment management techniques that have worked well in normal market conditions could prove ineffective or detrimental at other times.

There have been no changes to the risk rating in the year.

The full list of the fund's risks are contained in the "Risk Warnings" section of the fund's prospectus.

Investment review

The year to August 2016 was a volatile year for equities, with heightened instability seen at the end of the year in reaction to the unexpected UK vote to leave the European Union. Even before the UK referendum, there had been two sharp sell-offs (in mid-2015 and at the start of 2016) caused by worries about slowing growth in China, deflation and the behaviour of central banks. The market has speculated endlessly about whether or not the US central bank will increase interest rates again during 2016 and at what pace. So far, central banks have been generally supportive of markets, with the US Federal Reserve delaying further rate rises and the European Central Bank extending its programme of quantitative easing (central bank liquidity measures) in early March. Also, the Chinese authorities have given reassurance that they will not devalue the yuan further. Another source of volatility has been the commodities sector where the collapse in the price of crude oil continued until February, followed by a sharp rebound. Metals and soft commodities have been almost as turbulent. Another factor in this year has been the pace of change on the bond markets, with German 10-year yields moving from about 0.8% at the start of the year into negative territory by the end (given a final push by Brexit).

In this volatile environment, the fund returned 22.1% against its benchmark which gained 15.4%. The gain of the benchmark was almost entirely due to the devaluation of sterling against the euro after the Brexit vote. But even excluding the devaluation effect, the fund returned about 6%. The fund's strong performance against the index was helped by its low holdings in banks and our strong preference for niche businesses in industrials and speciality chemicals. Several companies produced very strong returns including Swiss construction chemicals specialist Sika, which rose 46%. One of our largest positions, fuel distributor DCC, gained 43% as the market digested an attractively priced acquisition in France and hoped for more to come. Our large holdings in professional publishers RELX and Wolters Kluwer also prospered.

Several of our consumer-related stocks also performed well, such as packaging group Huhtamaki which gained 34%. Given the

lacklustre economic backdrop, we own a number of restructuring companies and several of these performed well, such as Sulzer, Husqvarna and new holding, Rockwool International. Detractions from performance were our very low holdings in oil companies (which recovered with the oil price) and our underweight in consumer bond proxies. In addition, Novo Nordisk retreated on signs of stronger price pressure in the US.

We also lost money on our smaller holding in Volkswagen because of the emissions scandal. We sold that holding together with those in Kone (on concern about holdings in China), Randstad, Linde and Wincor (after it received a takeover offer). Our holding in Syngenta also benefited from a takeover offer. We opened a number of positions including Dometic, a Swedish-based niche maker of equipment for mobile homes, Eiffage and Vinci (beneficiaries of low interest rates and government spending on infrastructure), and CNH Industrial (a leading maker of agricultural equipment at near the bottom of its industry cycle). In the wake of Brexit we also bought a stake in Eurotunnel which had sold off too much.

Although markets have been volatile, underlying economic news has been reasonable. The US has seen steady job creation (until the end of the year), though low productivity growth remains a concern. In Europe, several economies have picked up strongly such as Spain and Ireland, and even France has shown some signs of life. Car sales have been strong on both sides of the Atlantic. Fears about emerging markets, including China, have eased over the year, partly helped by a stabilisation in commodity prices. There remain plenty of things to worry about: elections in the US and several European countries, a referendum in Italy and the implications of the Brexit negotiations. However, we take the view that there are always uncertainties and believe it is more important to focus on the prospects of the individual companies in the portfolio and how they can develop in a low-growth environment. Therefore, we continue to focus on self-help stories, including those exposed to gradually improving end markets in Europe, and lower risk situations with free cash returns of 7-8%, which seem significantly more appealing than the opportunities in the bond market.

Performance Summary

	31 Aug 15 - 31 Aug 16 %	31 Aug 14- 31 Aug 15 %	31 Aug 13- 31 Aug 14 %	31 Aug 12- 31 Aug 13 %	31 Aug 11- 31 Aug 12 %
Henderson European Growth Fund	22.1	8.4	5.4	29.1	4.0
FTSE World Europe ex UK	15.4	1.3	10.4	26.3	1.4

Source: Morningstar, bid to bid, net of fees as at valuation point 12 noon, based on performance of class A accumulation. Benchmark value are at close of business.

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Comparative tables

	Class A accumulation			Class I accumulation		
	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)
Change in net assets per share						
Opening net asset value per share	163.17	150.00	141.80	359.08	327.28	306.76
Return before operating charges*	38.13	15.94	10.73	84.51	34.80	23.25
Operating charges	(2.93)	(2.77)	(2.53)	(3.27)	(3.00)	(2.73)
Return after operating charges*	35.20	13.17	8.20	81.24	31.80	20.52
Distributions on accumulation shares	(2.13)	(0.83)	(1.19)	(8.78)	(5.01)	(4.55)
Retained distributions on accumulation shares	2.13	0.83	1.19	8.78	5.01	4.55
Closing net asset value per share	198.37	163.17	150.00	440.32	359.08	327.28
* after direct transaction costs of:	0.09	0.08	0.07	0.19	0.17	0.15

Performance

Return after charges	21.57%	8.78%	5.78%	22.62%	9.72%	6.69%
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Other information

Closing net asset value (£000s)	494,966	554,796	618,578	485,020	348,221	344,738
Closing number of shares	249,511,767	340,018,687	412,396,435	110,151,757	96,977,301	105,333,110
Operating charges	1.70%	1.70%	1.70%	0.85%	0.84%	0.84%
Direct transaction costs	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%

Prices

Highest share price (pence)	202.70	179.70	157.00	449.80	394.10	342.00
Lowest share price (pence)	154.80	136.80	141.40	340.80	298.80	306.10

Comparative tables (continued)

	Class S income		
	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)
Change in net assets per share			
Opening net asset value per share	218.71	202.00	192.58
Return before operating charges*	51.70	21.51	14.67
Operating charges	(0.16)	(0.16)	(0.14)
Return after operating charges*	51.54	21.35	14.53
Distributions on income shares	(6.72)	(4.64)	(5.11)
Closing net asset value per share	263.53	218.71	202.00
* after direct transaction costs of:	0.12	0.10	0.09
Performance			
Return after charges	23.57%	10.57%	7.54%
Other information			
Closing net asset value (£000s)	31,351	24,654	21,074
Closing number of shares	11,896,824	11,272,085	10,432,291
Operating charges	0.07%	0.07%	0.07%
Direct transaction costs	0.05%	0.05%	0.05%
Prices			
Highest share price (pence)	276.00	244.40	216.00
Lowest share price (pence)	207.70	184.60	192.30

Comparative tables (continued)

	Class Z accumulation		
	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)
Change in net assets per share			
Opening net asset value per share	171.25	154.87	144.02
Return before operating charges*	40.52	16.50	10.95
Operating charges	(0.13)	(0.12)	(0.10)
Return after operating charges*	40.39	16.38	10.85
Distributions on accumulation shares	(5.74)	(3.01)	(1.71)
Retained distributions on accumulation shares	5.74	3.01	1.71
Closing net asset value per share	211.64	171.25	154.87
* after direct transaction costs of:	0.09	3.48	0.07
Performance			
Return after charges	23.59%	10.58%	7.53%
Other information			
Closing net asset value (£000s)	349	247	165
Closing number of shares	164,808	144,043	106,803
Operating charges	0.07%	0.07%	0.07%
Direct transaction costs	0.05%	0.05%	0.05%
Prices			
Highest share price (pence)	216.10	187.40	161.50
Lowest share price (pence)	162.60	141.50	143.80

Performance values are at close of business and may differ from the performance summary.

Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

Fund facts

Accounting dates

28 February, 31 August

Payment dates

31 October

Ongoing charge figure

	2016 %	2015 %
Class A	1.70	1.70
Class I	0.85	0.84
Class S	0.07	0.07
Class Z	0.07	0.07

The annualised ongoing charge figure (OCF) of the fund, calculated as the ratio of the total ongoing charges to the average net asset value for twelve months.

The calculation is in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

Major holdings

as at 2016	%
RELX	4.34
Sampo	3.99
Wolters Kluwer	3.86
DCC	3.84
Novo Nordisk 'B'	3.53
Sika	3.33
Continental	2.96
Elior	2.89
Huhtamaki	2.85
Novartis	2.79

Major holdings

as at 2015	%
Novo Nordisk 'B'	4.68
Novartis	4.53
Sampo	4.47
DCC	4.43
Nordea Bank	3.72
RELX	3.69
Atlas Copco 'A'	3.52
Kerry	3.52
UBS	3.37
Fuchs Petrolub Non-Voting Preference Shares	3.10

Asset allocation

as at 2016	%
Industrials	35.67
Consumer Services	15.04
Basic Materials	14.39
Consumer Goods	13.11
Financials	11.77
Health Care	9.69
Other net assets	0.33
Total net assets	100.00

Asset allocation

as at 2015	%
Industrials	30.25
Basic Materials	15.84
Financials	14.08
Health Care	14.04
Consumer Services	11.69
Consumer Goods	11.64
Technology	0.69
Other net assets	1.77
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson European Growth Fund for the year ended 31 August 2016.

Copies of the annual and half yearly long form report and financial statements of this fund are available on our website www.henderson.com or contact client services on the telephone number provided.

Other information

The information in this report is designed to enable you to make an informed judgement on the activities of the fund during the year it covers and the results of those activities at the end of the year.

Issued by:

Henderson Investment Funds Limited
Registered office:
201 Bishopsgate
London EC2M 3AE
Member of the Investment Association and authorised and regulated by the Financial Conduct Authority.
Registered in England No 2678531

Depository

National Westminster Bank plc
135 Bishopsgate
London EC2M 3UR

Shareholder Administrator

International Financial Data Services (UK) Limited
IFDS House
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SS15 5FS

Risk warning

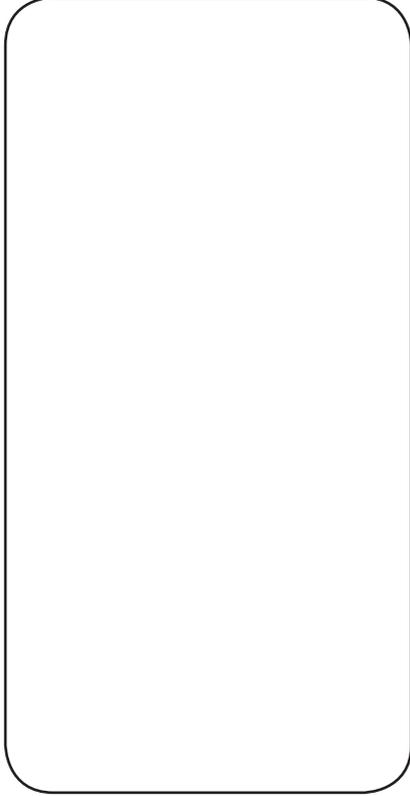
Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Contact us

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Changes of address - regulatory requirements

FCA regulation requires us to send this report mailing to the address held on file on the accounting date of 31 August 2016. If you have confirmed a change of address with us since that date we will ensure all future correspondence will be sent to your new address.

Online valuations

You can value your Henderson European Growth Fund at any time by logging on to www.henderson.com. Select 'Personal Investor' and then access 'Valuations' from the Tools Menu. Simply select the fund you hold and enter the appropriate number of shares.

Any questions?

Further information about the activities and performance of the fund for this and previous periods can be obtained from the Investment Manager. If you have any questions please call our Client Services Team on 0800 832 832 or email support@henderson.com.

Important Information

Henderson Global Investors is the name under which Henderson Global Investors Limited (reg. no. 906355), Henderson Fund Management Limited (reg. no. 2607112), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795354), AlphaGen Capital Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2606646), Gartmore Investment Limited (reg. no. 1508030), (each incorporated and registered in England and Wales with registered office at 201 Bishopsgate, London EC2M 3AE) are authorised and regulated by the Financial Conduct Authority to provide investment products and services. Telephone calls may be recorded and monitored. Ref: 34V

Unless otherwise stated, all data is sourced by Henderson Global Investors.

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