



ANNUAL SHORT REPORT

For the period 27 May 2016 to
31 May 2017

Janus Henderson
INVESTORS

Henderson UK Property PAIF Feeder Fund

Henderson UK Property PAIF Feeder Fund

Short Report

For the period 27 May 2016 to 31 May 2017

Investment Fund Managers

Marcus Langlands Pearse and Ainslie McLennan

Investment objective and policy

It is intended that the fund will be a feeder fund for the Henderson UK Property PAIF (the "Company") at all times. At the date of 27 May 2016 the Company is an open-ended investment company constituted as a non-UCITS retail scheme qualifying as a PAIF.

The objective of the fund is to achieve a high income together with some growth of both income and capital by investing solely in the Company.

The investment policy of the fund means that it may be appropriate for it to hold cash or near cash. This will only occur where the Manager reasonably regards it as necessary to enable the pursuit of the fund's objective, redemption of Units, efficient management of the fund in accordance with its objective, or for purposes ancillary to its objective.

Risk and reward profile

The fund currently has 7 types of units in issue, Class A (income and accumulation), Class I (income and accumulation), Class G income and Class U2 (income and accumulation).

The value of an investment in the fund can go up or down. When you sell your units they may be worth less than you paid for them.

Please note that:

- The Henderson UK Property PAIF (the "Company") focuses on a particular asset class
- The Henderson UK Property PAIF (the "Company") focuses on a particular country
- As a category shares are, in general, more volatile than either bonds or money market instruments.

The fund is a feeder fund for Henderson UK Property PAIF (the "Company"). The risks associated with the company are detailed below. These could be triggered or made worse by unusual market conditions or unpredictable market events.

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

Industry risk The Company's value may fall where it has concentrated exposure to a type of security that is heavily affected by an adverse event.

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

Derivatives risk Derivatives use exposes the fund to risks different from, and potentially greater than, the risks associated with investing directly in securities and may therefore result in additional loss, which could be significantly greater than the cost of the derivative.

Dual priced spread risk This Company is dual priced. When the fund is growing in size the prices at which you buy or sell shares in the Company will incorporate the transaction costs incurred in buying physical properties. When the Company is shrinking in size the prices that you buy or sell shares in the Company at will incorporate the transaction costs incurred in selling physical properties. The difference between these prices is called the 'creation - cancellation price spread'. This spread is currently c. 5% and reflects the high transaction costs of buying and selling commercial property. Typically the buying price of an individual commercial property can be 7-8% higher than the selling price. The spread of the Company is not fixed and may vary over time depending on the composition of the fund.

Hedging risk Measures that the Company takes that are designed to reduce the impact of certain risks may not be available or may be ineffective.

Leverage risk Leverage arises from entering into contracts or derivatives whose terms have the effect of magnifying an outcome, meaning profits and losses from investment can be greater.

Liquidity risk The Company contains assets which may be hard to value or sell at the time and price intended. In particular, property investments may take a considerable time to sell. When many investors want to sell their shares, the Company may have to delay processing requests so that certain assets or properties can be sold first.

Property credit risk Tenants in the Company's properties may become unable to pay their rent. As a result, the Company's income may be impacted and further costs incurred.

Property value risk Property values can go up and down and in extreme market conditions property values may move more significantly than bonds or shares. Valuations are determined by independent property experts. The valuation of property is generally a matter of valuer's opinion. The amount raised when a property is sold may be less than the valuation.

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

Investment review

On 27 May 2016 the Henderson UK Property OEIC was converted into the Henderson UK Property PAIF and simultaneously the Henderson UK Property PAIF Feeder Fund was launched. The Henderson UK Property PAIF is typically a more tax efficient vehicle for tax-exempt investors as income is streamed according to how it is received. The Feeder Fund solely invests in units in the PAIF. The Feeder Fund exists to allow investors who cannot receive streamed income as well as those who cannot or do not wish to invest directly in the PAIF to have exposure to the Henderson UK Property PAIF.

Performance

For the period as a whole the fund generated a total return of 2.1%¹, which reflects the return from income (distributed or accumulated) and any change in capital. We typically compare the fund against a peer group of "bricks and mortar" property funds, because the Investment Association property sector comprises a broad range of funds, including those that buy the shares of property companies and those that invest directly in commercial property. The average return over the period was 1.9%¹ for this peer group of 10 selected UK property unit trusts and open-ended investment companies. Straight performance comparisons can be misleading, because direct property funds seek

to offer less volatile returns by investing directly in "bricks and mortar" property as opposed to being subject to the stock market fluctuations of property equities.

¹ Source for performance: Morningstar, 27 May 2016 to 31 May 2017, 1 Acc share class of Henderson UK Property PAIF Feeder Fund, nav-nav, net income reinvested, in sterling, Performance of "bricks and mortar" peer group reflects the median return of the 10 selected funds.

Property overview

The property portfolio maintained its core credentials over the period. The long-term focus of the fund has been to remain invested within quality assets that generally have robust income coming from strong tenants and the fund profile is very much in keeping with this.

The period under review initially proved challenging for the UK commercial property market, however, as the European Union (EU) referendum result shook confidence and led to a sharp abatement in transactions. As a result there was less conviction surrounding prices in the UK commercial property market, as communicated by the fund's independent valuers (CBRE Ltd). There was also an expectation among participants and observers that valuations would come down following the Brexit (British exit from the EU) result. In the interests of treating investors fairly, and until the independent valuation report could reflect evidence of market activity post the referendum result, Henderson included a Fair Value Adjustment (FVA) in the prices of the Henderson UK Property PAIF and its associated Feeder Fund. The decision was taken by the Board of Henderson Investment Funds Limited (HIFL), the Authorised Corporate Director (ACD) for the fund, with input from the property fund managers (TH Real Estate). A downward FVA of 5% to the direct property portfolio was first applied the day the EU referendum result was announced (24 June 2016).

In addition, from noon on 5 July 2016, dealing in shares of the Henderson UK Property PAIF and units of the Henderson UK Property PAIF Feeder Fund was suspended. The decision was made by the ACD for the fund. Uncertainty generated by the EU referendum had a negative effect on market sentiment and led to substantial withdrawals from property funds. The dealing suspension allowed for an orderly sale of some properties while liquidity was restored, and helped to ensure that the strong attributes of the portfolio, in terms of its mix of properties and quality tenant base, were not compromised while cash was raised ahead of a re-opening.

As summer progressed into autumn, the UK commercial property market showed signs of stabilising. The FVA was reduced as transactional evidence better reflected market conditions, and following discussions with the fund's independent property valuer it became clear that they had an increased level of confidence in their valuations. The remaining 'uncertainty clauses' that were introduced immediately after the EU referendum result were removed on 30 September 2016. On 14 October 2016, the ACD Board of HIFL lifted the dealing suspension and normal dealing was restored to the fund.

Throughout the suspension period and the remainder of 2016 investment volumes were lower than in the previous three years. This was in line with earlier pre-Brexit views that the UK property market was moving out of its capital growth phase and into a period where returns would, once more, be driven primarily by income.

The surprise Brexit result also precipitated a decline in the value of pound sterling against most major currencies. This meant that UK property investments were more affordable for buyers from overseas, and this generated considerable interest from many parts of the globe for UK property investments, particularly those located in London and the south-east. Overseas buyers remained prominent market participants throughout the period, although there were also plenty of well-capitalised domestic buyers in the market.

Portfolio review

As the feeder fund is predominantly invested in Henderson UK Property PAIF, the commentary presented is consistent with the report filed for the period to 31 May 2017 for that fund. Further information on the PAIF can be obtained from the website or through the contact details on page 36 of this report.

As at 31 May 2017, the fund was valued at £3.1bn. The significant downward shift in fund size over the 12 months was, in the main, a result of the significant outflows linked to the referendum result and its aftermath. Flows subsequently steadied as the period progressed.

Despite the uncertainty created by the EU referendum, the period under review was successful in terms of delivering asset management initiatives within the fund. A large number of useful lettings and

rent reviews took place helping the fund maintain its core asset profile, long average lease length and strong tenant base.

The fund ended the period holding 93 properties, which accounted for 73.1% of the portfolio's value; 22.4% was held in cash and cash equivalents and 3.3% in property securities. The sector breakdown shows retail at 28.1%, offices at 17.2%, industrials at 17.7% and alternatives, which includes leisure, at 10.1%.

At 31 May 2017 the average lease term on the fund, weighted by income, was 10.3 years, and the vacancy rate stood at 6.3%² versus the Investment Property Databank (IPD)² average of 7.2%. The geographical focus remained biased towards London and the South East (59.7%). At 31 May 2017 the top 10 tenants included well-known corporate names such as Sainsbury's, the London Fire and Emergency Planning Authority, and B&Q, as well as multi-national companies such as Kuehne & Nagel. The IPD IRIS portfolio reviewing service judges the fund to have a strong tenant base with a low risk income rating of 26.9 versus 47.9 in the IPD UK Quarterly Universe Benchmark.

²Excluding development sites (figures as at 31 May 2017, IPD Benchmark Report 2017Q1, IPD Quarterly Benchmark Index 2017Q1)

Outlook

Commercial property in the UK remains attractive to income investors given the paucity of yield on several competing asset classes. The focus for the fund is, therefore, on maintaining a portfolio of core (rather than secondary) property holdings and strong tenant profiles so that the income dividend is robust. The fund has a balanced spread of property assets and is positioned towards investments that tend to be longer-let to tenants with a strong capacity to meet their rental payments. A considerable number of effective asset management opportunities remain within the portfolio, including refurbishments and lease extensions, which should help to further strengthen the rental income for the fund.

The rebalancing of the fund – specifically through a reduction in the weighting to large London offices and a complete move away from regional offices – should help to protect the portfolio from some of the occupational uncertainty in these markets as a result of the vote for the UK to leave the EU. In recent years, the fund has responded to the changing patterns in consumer behaviour in terms of its retail

holdings, with a growing emphasis on leisure assets and logistics. Again, this should help to provide some cushioning if consumer confidence softens. Sentiment surrounding Brexit is likely to shape the pace of economic growth in the UK and it seems prudent to be positioned cautiously given the current level of uncertainties.

The low interest rate environment is expected to persist, which should prove accommodating for the UK commercial property market.

Even if interest rates do rise, the pace is expected to be gradual, particularly in light of the economic uncertainties generated by the Brexit negotiations. While inflation has risen, the fund maintains a good weighting to properties with lease structures where rents have fixed increases or are inflation-linked.

Performance summary

**27 May 16*-
31 May 2017**
%

Henderson UK Property PAIF Feeder Fund	1.4
IA OE Property Sector Average	10.5

Source: Morningstar, bid to bid net of fees, as at valuation point 12 noon, based on class A accumulation.

Benchmark value at close of business.

*Inception date

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.

Fund facts

Accounting dates

30 November, 31 May

Payment dates

31 October, 31 January, 30 April, 31 July

Real estate expense ratio and ongoing charge figure

	2017
	%
Class A¹	
Non-property expense ratio - OCF	1.65
Property expense ratio	0.34
Real estate expense ratio	1.99
Class G¹	
Non-property expense ratio - OCF	0.73
Property expense ratio	0.34
Real estate expense ratio	1.07
Class I¹	
Non-property expense ratio - OCF	0.84
Property expense ratio	0.34
Real estate expense ratio	1.18
Class U2¹	
Non-property expense ratio - OCF	0.66
Property expense ratio	0.34
Real estate expense ratio	1.00

The real estate expense ratio (REER) is comprised of the Ongoing charge figure (OCF) and the Property expense ratio (PER) of the fund. The OCF and PER represent the total fund expenses and the total property expenses paid by the fund in the period respectively against its average net asset value.

The OCF includes a synthetic element of 0.03% to incorporate the OCF of Class F gross accumulation of Henderson UK Property PAIF. The PER presented is the PER of Class F gross accumulation of Henderson UK Property PAIF.

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

The fund is a non-UCITS fund and we have adopted this disclosure to enable comparison across our fund range.

¹ The fund launched on 27 May 2016

Comparative table for the period 27 May 2016 to 31 May 2017

	Class A accumulation 27/05/16- 31/05/17 (pence per unit)	Class I accumulation 27/05/16- 31/05/17 (pence per unit)	Class U2 accumulation 27/05/16- 31/05/17 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	209.64 ¹	127.01 ¹	58.21 ¹
Return before operating charges*	7.89	4.49	2.17
Operating charges	(3.44)	(1.06)	(0.38)
Return after operating charges*	4.45	3.43	1.79
Distributions on accumulation units	(6.67)	(3.93)	(1.78)
Retained distributions on accumulation units	6.67	3.93	1.78
Closing net asset value per unit	214.09	130.44	60.00
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	2.12%	2.70%	3.08%
Other information			
Closing net asset value (£000s)	277,317	1,174,152	91,411
Closing number of units	129,531,704	900,121,055	152,348,315
Operating charges (annualised)	1.65%	0.84%	0.66%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest unit price (pence)	223.71	129.62	59.61
Lowest unit price (pence)	197.32	119.66	54.85

¹The fund launched on 27 May 2016 and this is the first published price.

Comparative table (continued)

	Class A income 27/05/16- 31/05/17 (pence per unit)	Class G income 27/05/16- 31/05/17 (pence per unit)	Class I income 27/05/16- 31/05/17 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	99.67 ¹	54.89 ¹	110.48 ¹
Return before operating charges*	4.55	2.02	4.78
Operating charges	(1.62)	(0.40)	(0.91)
Return after operating charges*	2.93	1.62	3.87
Distributions on income units	(3.13)	(1.68)	(3.37)
Closing net asset value per unit	99.47	54.83	110.98
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	2.94%	2.95%	3.50%
Other information			
Closing net asset value (£000s)	62,243	100	462,756
Closing number of units	62,573,715	182,878	416,978,334
Operating charges (annualised)	1.65%	0.73%	0.84%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest unit price (pence)	105.28	55.24	111.20
Lowest unit price (pence)	93.81	51.72	104.09

¹The fund launched on 27 May 2016 and this is the first published price.

	Class U2 income 27/05/16- 31/05/17 (pence per unit)
Change in net assets per unit	
Opening net asset value per unit	54.04 ¹
Return before operating charges*	2.44
Operating charges	(0.35)
Return after operating charges*	2.09
Distributions on income units	(1.63)
Closing net asset value per unit	54.50
* after direct transaction costs of:	-
Performance	
Return after charges	3.87%
Other information	
Closing net asset value (£000s)	68
Closing number of units	125,233
Operating charges (annualised)	0.66%
Direct transaction costs	0.00%
Prices	
Highest unit price (pence)	54.39
Lowest unit price (pence)	50.93

¹ The fund launched on 27 May 2016 and this is the first published price.

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 unit class.

Share class launches and closures

The fund launched on 27 May 2016. There were no other share class launches or closures in the period.

Past performance is not a guide to future performance.

Major holdings

as at 2017	%
Henderson UK Property PAIF Class F gross accumulation*	100.37
<hr/>	
+ A related party to the fund	

Asset allocation

as at 2017	%
Collective investment schemes	100.37
<hr/>	
Other net liabilities	(0.37)
<hr/>	
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson UK Property PAIF Feeder Fund for the period 27 May 2016 to 31 May 2017.

Copies of the annual and half yearly long and short form report and financial statements of this fund are available on our website www.janushenderson.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 period it covers and the results of those activities at the end of the period.

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

Unitholder Administrator

International Financial Data Services (UK) Limited
IFDS House
St Nicholas Lane
Basildon
Essex
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.

Auditor

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Trustee/Depositary

National Westminster Bank Plc
135 Bishopsgate
London EC2M 3UR

Further information

Unitholder enquiries

If you have any queries about your fund holding, either contact your professional adviser or telephone us on one of the numbers below:

For dealing enquiries including buying and selling units please telephone at local rate: **0845 608 8703**

The following line is also available:

Client Services: **0800 832 832**

or you can contact us via e-mail at support@janushenderson.com

We may record telephone calls for our mutual protection and to improve customer service.

Online valuations

You can value your Henderson UK Property PAIF Feeder Fund at any time by logging on to www.janushenderson.com. Select 'Personal Investor' and then access 'Valuations' from the Tools Menu. Simply select the fund you hold and enter the appropriate number of units.

Important Information

Janus Henderson Investors is the name under which Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), 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 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.

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