Janus Henderson INVESTORS

ANNUAL SHORT REPORT

For the year ended 31 March 2017

Henderson Institutional Global Care Managed Fund

Henderson Institutional Global Care Managed Fund

Short Report
For the year ended 31 March 2017

Investment Fund Managers

Nick Anderson and Hamish Chamberlayne

Investment objective and policy

To achieve above average long-term capital growth by investing in a mix of assets including UK and overseas equities and fixed interest stocks. Individual companies are chosen for their social and environmental leadership in the area within which they operate.

Other information

Henderson Group plc and Janus Capital Group merged on 30 May 2017 to form Janus Henderson Group plc.

Risk and reward profile

The fund currently has 3 types of share class in issue; A accumulation, I accumulation and Z accumulation shares. Each type of share class has the same risk and reward profile which is as follows:

For A accumulation and I accumulation the risk and reward profile is as follows:

Typically Lower potential risk/reward ← → Typically Higher potential risk/reward

Lower Risk — Higher Risk

1	2	3	4	5	6	7

For Z accumulation the risk and reward profile is as follows:

Typically Lower potential risk/reward ← → Typically Higher potential risk/reward

Lower Risk — Higher Risk

1	2	3	4	5	6	7

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 share classes appear at 4 out of 7 and 5 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

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:

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

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

Credit risk The value of a bond or money market security may fall if the financial health of the issuer weakens, or the market believes it may weaken. This risk is greater the lower the credit quality of the bond.

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.

Equities risk Shares can lose value rapidly, and typically involve higher risks than bonds or money market instruments. The value of your investment may fall as a result.

Exchange rate risk Changes in currency exchange rates may cause the value of your investment and any income from it to rise or fall.

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

Interest rate risk When interest rates rise (or fall), the prices of different securities will be affected differently. In particular, bond values generally fall when interest rates rise. This risk is generally greater the longer the maturity of a bond investment.

Liquidity risk Any security could become hard to value or to sell at a desired time and price, increasing the risk of investment losses.

The risk rating for class A an I accumulation changed from 5 to 4 in the year; Z accumulation remains the same at 5.

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

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

Investment review

In the year to 31 March 2017, global stock markets reached new all-time highs, with the MSCI World Index advancing 32.7% in sterling terms. Between a quarter and a third of this rise was attributable to the weakness in sterling, which depreciated 12.9% against the US dollar and 7.2% against the euro. The fund recorded a return of 15.0%, slightly behind the IA Mixed Investments 40-85% Shares sector, which returned 17.5%. Over a three-year period, the fund has returned 27.9% versus a sector return of 26.2%.

The surprise victory of Donald Trump in the US presidential election ended up being a risk-on event as investors responded to his reflationary (pro-growth) campaign rhetoric. In global markets, the rise was attributable to strong performance from stocks in the financial, materials, information technology, industrial and energy sectors.

In UK equities, the FTSE 100 Index rose 23.3% and the FTSE 250 Index rose 15.3%. The year was dominated by the Brexit vote (the UK's decision to leave the European Union, or EU). Sterling weakness in the aftermath of the Brexit vote, and a sharp recovery in commodity prices, led to the outperformance of large multinational companies within the FTSE 100, especially relative to the more domestically focused companies within the FTSE 250. Prime Minister Theresa May announced a snap general election on 8 June, the result of which is uncertain.

Global bond returns lagged those of equities, but they still recorded a positive return of 7.5%. This was due to ongoing accommodative monetary policy and central bank asset purchase programmes in Japan, the eurozone and the UK that saw global government bond yields fall to record lows following the EU referendum (prices move inversely to yields). Stronger global economic data in recent months, a rise in inflation driven by the rebound in commodity prices and increased expectations of fiscal stimulus in the US have seen government bond yields rise up off the lows and credit spreads decline. Of the three main investment grade markets, sterling bonds posted the strongest total returns, benefiting from both declining gilt yields and declining credit spreads, the latter partly driven by the Bank of England's Corporate Bond Purchase Scheme. The presidential election win by Donald Trump was interpreted as supportive for US risk assets, which saw US corporate bonds outperform, offsetting rising US Treasury yields to produce positive total returns.

With President Trump in the White House, it is easy to forget that the Paris Climate Agreement was ratified in November 2016. One-hundred and forty-three countries have signed the agreement, including China, India, Saudi Arabia and Australia, as well as the US. This was a momentous political achievement.

While Trump's recent executive order to dismantle much of Obama's Clean Power Plan is undoubtedly a negative, we think it is unlikely to have much of an impact. Over the last six years, 30% of US coal-fired power stations have closed and coal's share of US power generation has declined from 50% to 30%. Over the same period, the cost of wind and solar energy has declined by as much as 80% – such that they are both now less expensive than coal on an unsubsidised basis. Taken in conjunction with low natural gas prices, it is not surprising that North American utility companies are saying that they will not restart decommissioned coal plants, let alone invest in building new ones. Coal is not coming back.

Encouragingly, investment in clean technologies does not appear to have been disrupted by lower oil, gas and coal prices. In the case of batteries, it is quite the opposite – with a tenfold increase in global production capacity now being planned by 2020.

In a curious twist, Tesla, the battery and electric car manufacturer (which is held in the fund), was one of the best performing US stocks since Trump was elected. The weakness of the oil price, which many people expected to strengthen following the Organization of the Petroleum Exporting Countries' (OPEC) agreement to enact cuts, is also interesting. Saudi Arabia increased its share of exports by cutting back on domestic consumption, while the breakeven of US shale production continued to decline. With 70 years of reserves at current production rates, a $50bn budget deficit to close, competitive renewable energy prices and affordable long range electric cars on the horizon, it is possible that Saudi Arabia may actually move to increase production.

We think the transition to a low carbon economy is now a question of when, not if; we believe the disruption that we will see as a result of this transition will be the defining investment issue of the next 10-15 years.

VCA, a leading animal healthcare company in North America, was acquired by Mars at a 31% premium.

Adobe, a developer of software for creative professionals and digital media, reported a strong set of results, with revenues growing 22% year on year. Adobe products are helping to drive the creation of ideas and exchange of information – presenting new ways of solving social and environmental problems. For example, the shift to digital media enables customers to reduce waste and save natural resources.

AMS, a European analog semiconductor company which specialises in optics and proximity sensors, rose after reporting better than expected results and as it prepares for significant new product launches to support the next generation of mobile devices. Analog semiconductors enable customers to bridge the physical and digital worlds by sensing, measuring and interpreting physical phenomena such as light, sound, temperature, motion and pressure and then converting this into electrical signals. They have a plethora of applications and are the fundamental building blocks of a more connected world and resource efficient economy.

Omron, a Japanese factory automation company, performed well after reporting strong demand for its robotic and factory automation technology. It has a particularly strong franchise in China, where rates of automation are still low compared with the rest of the world. Omron's solutions improve both manufacturing productivity and safety.

Within UK equities, positive contribution came from the fund's holdings in the industrials sector, such as Spectris, Spirax Sarco and Rotork. Performance also benefited from electrical components distributor Premier Farnell, which received a bid approach at a significant share price premium, and 3i, which performed strongly after impressive results and a significant upwards revaluation of one of its largest holdings.

Within the bond holdings, performance benefited from positions in UK and US bonds, with the strongest returns coming through positions in banks (HSBC, Barclays, Citi, Lloyds), insurance (Aviva), UK Housing Associations (Peabody, Notting Hill Housing Trust) and real estate investment trusts (REITs) (Goodman).

As a low carbon portfolio, the fund avoids investing in the energy and mining sectors. This was a hindrance to performance last year given these were two of the best performing sectors. In addition to this, the fund does not invest in Amazon, Apple or Facebook, which rose by 71.7%, 54.7% and 43.1%, respectively, and are now the first, third and sixth largest constituents of the MSCI World Index.

The holdings in BT Group and Go Ahead were detrimental to performance over the year. BT shares were initially weak due to fears over the potential for increased regulation of its Openreach business and the impact of low gilt yields on the size of the company's pension deficit. These matters were then exacerbated following the slowdown in the company's enterprise business and overstatement of profits in its Italian operations. While these issues are clearly very disappointing, the company has taken measures to deal with them and has reiterated its dividend growth targets. As a result, we kept the holding. Meanwhile, Go Ahead performed poorly after results that highlighted continued issues surrounding the GTR rail franchise and weaker operational trends in their regional bus division.

CVS Pharmacy shares also performed poorly last year, along with many other US companies in the healthcare sector, over concerns that potential healthcare reform would negatively impact profitability. The company combines one of the largest retail pharmacy chains in the US with one of the largest Pharmacy Benefit Managers. As much as two thirds of lifetime health expenditures occur past the age of 60. Therefore, with an ageing demographic in the US, there is a critical need for cost effective healthcare. Thanks to scale benefits and its purchasing power, CVS Pharmacy plays a crucial role in slowing down the rising costs of healthcare, and as America ages, it should benefit from increasing prescription volumes.

Within bonds, a position in Vodafone was the biggest detractor to performance, reflecting the increase in corporate issuance over the last six to nine months and the rise in mergers and acquisitions activity in the communications sector. A holding in BNP (banking) also detracted from performance due to weakness in French risk in the run up to the elections. The fund exited this position during the year under review.

No significant changes to asset allocation were made during the year. The fund continues to have a slight overweight allocation to international equities and a slight underweight allocation to bonds.

New positions were initiated in Ain Holdings, Analog Devices, Amer Sports, Boralex, Kingspan, McCormick, Shimadzu and Tetratek. The fund divested positions in Aegon, Citizens Financial Group, Deere, Ebara, PVH, Regal Beloit, Snap-On and Wex.

AIN Holdings is the largest dispensing pharmacy in Japan, which is the first country in the world to become a 'super ageing society'. Average annual drug expenditure is two and a half times greater for the age cohort over 65 years and three times greater for the age cohort over 75 years. Both these segments of society will continue to grow until the 2040s. Government regulations are encouraging increased provision of community and home healthcare, with dispensing pharmacies expected to play a key role.

Analog Devices is a North American designer and manufacturer of analog semiconductors. Analog semiconductors enable customers to bridge the physical and digital worlds by sensing, measuring and interpreting physical phenomena such as light, sound, temperature, motion and pressure and then converting this into electrical signals. Examples of the wide variety of end customer applications include renewable energy technology, healthcare diagnostics equipment, factory automation, smart meters, security systems, battery management systems, autonomous driving and smart irrigation.

Amer Sports is a global sporting goods company that is headquartered in Finland. It has strong global brands such as Salomon, Arc'teryx and Wilson & Mavic, which have a reputation for excellence in their fields. Its focus is on outdoor sports, team sports and fitness and its mission is to inspire people of all ages to discover the fun of exercise, helping them stay healthy and active throughout their lives. Sports and exercise are one of the most effective ways to prevent diseases, such as cardiovascular diseases and type II diabetes. It has leading environmental and social policies.

Boralex develops and operates renewable power facilities in Canada, France and the US. It specialises in wind and run of river hydroelectric projects. Boralex is committed to minimising the environmental impact of its projects, avoiding encroachment on farmland and threats to biodiversity.

Kingspan Group is the global leader in high performance insulation, building fabric and solar integrated building envelopes. Buildings account for more than one third of primary energy consumption and therefore it is imperative to increase their efficiency in order to meet carbon reduction targets. Kingspan calculates that its existing installed base of insulation systems are contributing to an annual saving of 27m tonnes of CO_2. That's equivalent to the annual output of 47 power stations, 14m cars or roughly three times the annual electricity consumption of Greater London.

McCormick is a leading global manufacturer of herbs and spices, headquartered in North America. In 2015, the US Dietary Guidelines Advisory Committee specifically recommended greater use of herbs and spices as part of a healthy diet and as a way to reduce sodium intake. Demographic trends are also resulting in higher demand for herbs and spices as millennials are increasingly choosing to cook at home. McCormick has robust sourcing programmes in place, working with producers from all over the world to improve the sustainability of farming practices.

Shimadzu is a world leading manufacturer of analytical and measuring instruments, headquartered in Japan. It specialises in liquid chromatographs and mass spectrometers, where improved instrument performance is resulting in a growing number of applications related to food & environment safety testing, healthcare services and drug discovery. It has a strong franchise in China and India, where drug quality control and environmental analysis are key demand drivers.

Tetra Tech is a global leader in the provision of consulting and engineering services for water, environmental, infrastructure, resource management, energy and international development. Operating across more than 100 countries, the company is renowned for its expertise in water-related and environmental services for both public and private sector clients. Other services include advising on environmental remediation, infrastructure design, environmental permitting, smart grid design, resource conservation programmes, solid waste management and pollution control.

In UK equities, the fund established positons in Next, Britvic and Lloyds following significant share price underperformance. Next reacted negatively to a cautious comment on the consumer environment from its management team. However, following the share price fall, the company's valuation appeared attractive on an earnings and dividend basis given the quality of its franchise.

Britvic is one of the leading soft drink manufacturers in Britain, with brands such as Fruit Shoot, J2O and Robinsons. The management team are investing in the supply chain of the business to improve operational efficiencies and also exploring new growth initiatives, including overseas expansion. The valuation is attractive, with the company trading towards historical low versus its peer group.

The management team at Lloyds have done an excellent job of improving returns, and the company has resumed paying dividends. Its share price fell sharply following the EU referendum and became very attractively valued on a price to book value and dividend yield basis, bearing in mind its market position and returns. These new positions were funded by exiting the positions in Experian, NTT and Premier Farnell following strong share price performance.

Within bonds, the portfolio increased holdings in corporate bonds during the year, establishing new positions in Fastighets AB Balder, Westfield, Merlin Properties (REITs), McKesson (consumer non-cyclical), Anglian Water (utilities), Fedex (transport), while also adding to an existing position in Verizon (communications) after the bonds underperformed. Positions in Thames and Northumbrian Water (utilities) were increased through new, attractively priced issues. Over the year, we increased our holdings in US Treasuries but reduced our holdings in UK gilts. Other reductions included Orange (communications), Scentre Group and Welltower (REITs). Following strong performance, profits were taken in insurance holdings such as Legal & General, Scottish Widows, Standard Life and AXA.

We still think we are in the early stages of a transition towards a low carbon economy. We do not think the Trump administration will stop the global momentum on climate change mitigation efforts. There is an enormous amount of commitment from states, cities and businesses to take action. The costs of clean technologies have continued to decline to levels where they are competitive with fossil fuels on an unsubsidised basis in many parts of the world. In the next few years, we expect further breakthroughs in battery technology, and this will boost the penetration of renewable energy generation and the electrification of transport. We think long term investors should continue to be mindful of the investment risks from having too many carbon-related holdings in their portfolios. OPEC recently made the forecast that it expects oil demand to peak within the next 15 years. We think it could happen sooner.

We continue to manage the fund for the long term, selecting well managed companies which are thinking strategically about environmental and social trends. We think the fund's holdings are attractively valued given the confidence we have in their long term growth prospects. In the near term, the improving global outlook and further hike in interest rates by the US Federal Reserve in March is also bringing the removal of accommodative monetary policy back into focus. This is unlikely to be a smooth process and may lead to periods of volatility (sharper fluctuations in prices) in the quarters ahead.

Performance summary

	31 Mar 16 - 31 Mar 17 %	31 Mar 15 - 31 Mar 16 %	31 Mar 14 - 31 Mar 15 %	31 Mar 13 - 31 Mar 14 %	31 Mar 12 - 31 Mar 13 %
Henderson Institutional Global Care Managed Fund	15.0	(2.7)	14.3	11.8	14.7
IA OE Mixed Investment 40-85% Shares	17.5	(2.9)	10.6	5.7	12.8

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

Fund facts

Accounting dates	Payment dates
30 September, 31 March	30 November, 31 May

Ongoing charge figure

	2017 %	2016 %
Class A	1.70	1.70
Class I	0.84	0.85
Class Z	0.06	0.07

The annualised ongoing charge figure (OCF) of the fund is 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).

Comparative tables for the year ended 31 March 2017

	Class A accumulation			Class I accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share						
Opening net asset value per share	157.26	160.74	141.73	174.05	176.69	154.73
Return before operating charges*	26.35	(0.82)	21.51	28.94	(1.20)	23.34
Operating charges	(2.87)	(2.66)	(2.50)	(1.58)	(1.44)	(1.38)
Return after operating charges*	23.48	(3.48)	19.01	27.36	(2.64)	21.96
Distributions on accumulation shares	(1.55)	(1.46)	(1.24)	(2.80)	(2.43)	(1.90)
Retained distributions on accumulation shares	1.55	1.46	1.24	2.80	2.43	1.90
Closing net asset value per share	180.74	157.26	160.74	201.41	174.05	176.69
* after direct transaction costs of:	0.14	0.10	0.09	0.16	0.11	0.09
Performance						
Return after charges	14.93%	(2.16%)	13.41%	15.72%	(1.49%)	14.19%
Other information						
Closing net asset value (£000s)	14,378	13,724	18,174	80,260	55,263	31,753
Closing number of shares	7,954,879	8,727,847	11,306,118	39,848,165	31,751,061	17,971,478
Operating charges	1.70%	1.70%	1.70%	0.84%	0.85%	0.85%
Direct transaction costs	0.08%	0.06%	0.06%	0.08%	0.06%	0.06%
Prices						
Highest share price (pence)	182.20	165.40	163.40	202.90	181.80	179.60
Lowest share price (pence)	155.20	142.70	137.10	171.90	157.80	150.30

Comparative tables (continued)

	Class Z accumulation		
	2017 (pence per share)	**2016 (pence per share)**	**2015 (pence per share)**
Change in net assets per share			
Opening net asset value per share	271.51	273.91	238.40
Return before operating charges*	44.83	(2.21)	35.68
Operating charges	(0.18)	(0.19)	(0.17)
Return after operating charges*	44.65	(2.40)	35.51
Distributions on accumulation shares	(6.62)	(6.08)	(5.40)
Retained distributions on accumulation shares	6.62	6.08	5.40
Closing net asset value per share	316.16	271.51	273.91
* after direct transaction costs of:	0.25	0.17	0.14
Performance			
Return after charges	16.45%	(0.88%)	14.90%
Other information			
Closing net asset value (£000s)	151,952	141,380	151,728
Closing number of shares	48,062,165	52,072,038	55,392,933
Operating charges	0.06%	0.07%	0.07%
Direct transaction costs	0.08%	0.06%	0.06%
Prices			
Highest share price (pence)	318.50	281.90	278.40
Lowest share price (pence)	268.30	246.00	232.20

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.

Past performance is not a guide to future performance.

Major holdings

as at 2017	%
AstraZeneca	1.55
Vodafone	1.51
Adobe Systems	1.41
GlaxoSmithKline	1.22
SAP	1.15
Microsoft	1.13
F5 Networks	1.11
AON	1.10
National Grid	1.08
Visa	1.08

Major holdings

as at 2016	%
Vodafone	1.71
AstraZeneca	1.48
Adobe Systems	1.28
National Grid	1.22
BT	1.18
AON	1.12
Henry Schein	1.10
Smith & Nephew	1.09
Gildan Activewear	1.08
Comfortdelgro	1.07

Asset allocation

as at 2017	%
United Kingdom	39.53
United States	30.72
Japan	4.19
France	3.38
Germany	1.70
Canada	1.56
Austria	1.04
Ireland	0.97
Switzerland	0.92
Hong Kong	0.84
Singapore	0.77
Italy	0.68
Netherlands	0.59
South Korea	0.51
Australia	0.40
Norway	0.39
Finland	0.35
Sweden	0.31
Denmark	0.29
Spain	0.27
Israel	0.16
Luxembourg	0.04
Other net assets	10.39
Total net assets	**100.00**

Asset allocation

as at 2016	%
United Kingdom	47.00
United States	27.05
Japan	3.84
France	3.41
Netherlands	1.25
Canada	1.08
Singapore	1.07
Germany	1.01
Switzerland	0.86
Hong Kong	0.80
South Korea	0.62
Austria	0.60
Italy	0.48
Norway	0.41
Israel	0.29
Australia	0.24
Sweden	0.05
Portugal	0·03
Other net assets	9.91
Total net assets	**100.00**

Report and accounts

This document is a short report of the Henderson Institutional Global Care Managed Fund for the year ended 31 March 2017.

Copies of the annual and half yearly long and short form reports 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 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

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

Depositary
National Westminster Bank Plc
135 Bishopsgate
London EC2M 3UR

Auditor
PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Further information

Shareholder 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 shares 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 Institutional Global Care Managed Fund at any time by logging on to **www.janushenderson.com**. Select 'UK Private Investor' and then access 'Valuations' from the Tools Menu. Simply select the fund you hold and enter the appropriate number of shares.

H028948/0417