



ANNUAL SHORT REPORT

For the year ended
31 May 2017

Janus Henderson
— INVESTORS —

Henderson China Opportunities Fund

Henderson China Opportunities Fund

Short Report

For the year ended 31 May 2017

Investment Fund Managers

Charlie Awdry and May Ling Wee

Investment objective and policy

The fund aims to achieve a long-term return, in excess of the long-term return that is typically achieved from investments in Hong Kong and Chinese equity markets, by investing in companies having their registered office in Hong Kong or China and companies that do not have their registered office in Hong Kong or China but either (i) carry out a predominant proportion of their business activity in these markets, or (ii) are holding companies which predominantly own companies with registered offices in Hong Kong or China.

The fund may also invest in American Depositary Receipts ('ADRs') investing in securities issued by companies incorporated in Hong Kong or China or in any similar listed securities of Hong Kong or Chinese companies.

The return will be a combination of capital and income returns.

The fund may also invest at the Manager's discretion in other transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in applicable FCA Rules).

Risk and reward profile

The fund currently has 3 types of share class in issue:

A accumulation, I accumulation and I USD accumulation.

The risk and reward profile of each type of share class is as follows:



The Synthetic Risk and Reward Indicator (SRRRI) 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 SRRRI level. The SRRRI 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 6 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.

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.

Emerging markets risk Emerging markets are less established and more prone to political events than developed markets. This can mean both higher volatility and a greater risk of loss to the fund than investing in more developed markets.

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.

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

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

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

Investment review

In the year to the end of May 2017, the fund returned 47.9%, ahead of the benchmark MSCI AC Zhong Hua Index, which returned 45.4%. This placed the fund at the 29th percentile of peer group returns.

At the sector level, attribution was broadly neutral to performance, so the fund's performance can be attributed to stock selection. Pleasingly strong contributors included Chinese shares traded across Hong Kong, Shanghai and Shenzhen A shares and US equity markets.

The top stock contributor was branded budget hotel operator China Lodging Group, whose shares responded positively to improving operating metrics and rising room rates, together with a successful folding in of Accor's mid-tier brands in China. The fund also benefited from automobile steering equipment supplier Nexteer Automotive, which continues to win business as automobile brands improve fuel efficiency, especially in the SUV market; a number of Chinese internet businesses, including game company Netease, which has navigated the growth of mobile internet on smartphones particularly well; Sina, a large shareholder of Weibo, a social media platform similar to Twitter, which has seen a significant renaissance in China; and e-commerce giant Alibaba, which is benefiting from rising consumer engagement and advertising expenditure on its mobile apps.

Our long term holding in the A share market, Kweichow Moutai, a baijiu (white liquor) brand, continued to perform well. Other top A share contributors included surveillance technology company Hangzhou Hikvision and Shanghai International Airport, which rallied as investors expect improved revenues from upcoming duty free concessions bidding. We are particularly pleased to demonstrate strong stock selection skills in these A share markets, in which the fund has increased its holdings over recent years, as it shows we do not have to compromise or change our investment process and stock selection in these less mature markets.

Investment review (continued)

Detractors from performance included stock broker China International Capital Corporation, which has not rallied along with the markets as expected, and so was sold from the fund. Telecommunications operator HKT Trust fell when controlling shareholder PCCW reduced its stake through a secondary market placement. We believe the sell down may have been valuation driven, but is clearly a negative signal, so cut the position from the fund. Not owning e-commerce player JD.com hurt performance, but we feel it lags the market leader Alibaba significantly in terms of scale, internet ecosystem and in its ability to monetise big data.

We reintroduced Chinese bank shares to the fund in April 2017, after not owning them for well over a year, but feel they now merit a holding because of a number of factors: the cyclical recovery in the economy is improving corporate China's profits and cash flows; corporate China is making better capital allocation decisions, which makes them better debtors; the valuation gap between banks and fashionable growth stocks is very high; and banks pay annual dividends in June, meaning we can lock in a 5% dividend yield. China Construction Bank and Bank of China now make up around 10% of the fund, which is still an underweight position versus the benchmark. We would stay away from smaller joint stock banks that rely on funding from the interbank market, where rates are rising. To fund these purchases, we continued to harvest profits in expensive growth stocks that have performed well, such as CSPC Pharmaceutical. We also sold our holding in Hong Kong Exchange.

Growth was on an upswing until recently, and we see the current round of politically and market-induced tightening manifested in short term interest rates as another passage of a mini-cycle flowing through the Chinese economy. While market commentators are focused on the macroeconomic picture, Alibaba, China's e-commerce giant and largest holding in the fund, conducted an investor day, where it guided up revenue growth estimates for the next financial year from consensus estimates of approximately 35% to 45–49% growth year over year – and this is a company that generated \$23.5bn of sales last year. We are a stock picking fund, and we are pleased that such a high profile portfolio holding, and key player on the rising consumer in China, can draw attention to such a promising trend despite the macroeconomic cycle the media is focusing on.

Chinese equities have been rising for some time now and another cycle is kicking in: that of increasing investor engagement, as clients change from ignoring the moves, to being curious about them, to now wondering whether they should take part. Bull markets are becoming concerned, and we are beginning to see more investor engagement with the asset class. We are hopeful that, if investors finally find a reason to reduce their allocation to the much loved US equity markets, they might consider turning to China.

Performance summary

	31 May 16- 31 May 17 %	31 May 15- 31 May 16 %	31 May 14- 31 May 15 %	31 May 13- 31 May 14 %	31 May 12- 31 May 13 %
Henderson China Opportunities Fund	47.9	(14.7)	38.1	1.3	21.4
MSCI AC Zhong Hua Index	45.4	(20.6)	42.5	(3.7)	22.0

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

Benchmark values 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 November, 31 May	31 January, 31 July

Ongoing charge figure

	2017 %	2016 %
Class A	1.72	1.74
Class I	0.86	0.89
Class I USD	1.09	1.10

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

Comparative tables for the year ended 31 May 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	836.02	970.27	702.21	117.91	135.67	97.35
Return before operating charges*	402.83	(119.94)	280.15	57.00	(16.74)	39.37
Operating charges	(18.41)	(14.31)	(12.09)	(1.31)	(1.02)	(1.05)
Return after operating charges*	384.42	(134.25)	268.06	55.69	(17.76)	38.32
Distributions on accumulation shares	(0.01)	(5.05)	(2.98)	(0.62)	(1.62)	(0.89)
Retained distributions on accumulation shares	0.01	5.05	2.98	0.62	1.62	0.89
Closing net asset value per share	1,220.44	836.02	970.27	173.60	117.91	135.67
* after direct transaction costs of:	5.16	4.41	6.97	0.73	0.62	0.83
Performance						
Return after charges	45.98%	(13.84%)	38.17%	47.23%	(13.09%)	39.36%
Other information						
Closing net asset value (£000s)	162,846	128,065	288,234	260,724	178,850	126,142
Closing number of shares	13,343,154	15,318,406	29,706,591	150,185,258	151,685,367	92,977,804
Operating charges	1.72%	1.74%	1.73%	0.86%	0.89%	0.89%
Direct transaction costs	0.48%	0.60%	1.00%	0.48%	0.60%	1.00%
Prices						
Highest share price (pence)	1,230.00	986.50	1,069.00	175.00	137.90	149.30
Lowest share price (pence)	804.90	699.90	692.10	113.60	98.06	96.00

Comparative tables (continued)

	Class I USD 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	886.14	1,021.87	734.81
Return before operating charges*	428.47	(126.12)	297.09
Operating charges	(12.68)	(9.61)	(10.03)
Return after operating charges*	415.79	(135.73)	287.06
Distributions on accumulation shares	(3.63)	(8.60)	(5.69)
Retained distributions on accumulation shares	3.63	8.60	5.69
Closing net asset value per share	1,301.93	886.14	1,021.87
* after direct transaction costs of:	5.60	4.68	6.39
Performance			
Return after charges	46.92%	(13.28%)	39.07%
Other information			
Closing net asset value (£000s)	170,632	76,525	245,139
Closing number of shares	13,106,111	8,635,839	23,989,197
Operating charges	1.09%	1.10%	1.11%
Direct transaction costs	0.48%	0.60%	1.00%
Prices			
Highest share price (USD cents)	1,685.00	1,580.00	1,645.00
Lowest share price (USD cents)	1,237.00	1,087.00	1,232.00

Performance values are at close of business and may not match those detailed in 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.

Share class launches and closures

There were no share classes launched or closed in the year.

Past performance is not a guide to future performance.

Major holdings	
as at 2017	%
Alibaba Holdings ADS	9.38
Tencent Holdings	9.16
China Construction Bank	6.57
AIA	6.38
Ping An Insurance	5.71
Bank of China	4.49
NetEase.com ADR	3.65
China Petroleum & Chemical	3.59
China Overseas Land & Investment	3.35
Nexteer Automotive	3.03

Major holdings	
as at 2016	%
Tencent Holdings	10.03
AIA	9.40
China Mobile	8.29
Alibaba Holdings ADS	8.24
Hong Kong Exchanges & Clearing	3.92
Galaxy Entertainment	3.85
Minth	3.73
NetEase.com ADR	3.50
Kweichow Moutai P-Note 27/03/2017	3.42
HKT Trust	3.28

Asset allocation	
as at 2017	%
Life Insurance	15.06
Software & Computer Services	13.76
Travel & Leisure	11.16
Banks	11.06
General Retailers	9.38
Automobiles & Parts	5.86
Real Estate Investment & Services	5.61
Financial Services	3.92
Oil & Gas Producers	3.61
Pharmaceuticals & Biotechnology	2.90
Personal Goods	2.61
Electricity	2.33
Household Goods & Home Construction	1.98
Support Services	1.97
Mining	1.69
Industrial Transportation	1.62
Food Producers	1.59
Industrial Metals & Mining	1.54
Beverages	1.03
Other net assets	1.32
Total net assets	100.00

Asset allocation	
as at 2016	%
Software & Computer Services	17.68
Automobiles & Parts	11.84
General Retailers	11.51
Life Insurance	9.40
Travel & Leisure	8.88
Mobile Telecommunications	8.29
Financial Services	6.10
Beverages	3.42
Fixed Line Telecommunications	3.28
Personal Goods	3.22
Pharmaceuticals & Biotechnology	3.03
General Industrials	2.69
Construction & Materials	2.32
Nonlife Insurance	2.22
Gas, Water & Multi-utilities	1.82
Support Services	1.40
Food Producers	0.77
Household Goods & Home Construction	0.60
Oil & Gas Producers	0.14
Other net assets	1.39
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson China Opportunities Fund for the year ended 31 May 2017.

Copies of the annual and half yearly long form reports 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:
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Member of The Investment Association and authorised and regulated by the Financial Conduct Authority.
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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

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Shareholder Administrator

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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 email 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 China Opportunities 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.

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.

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