



# ANNUAL SHORT REPORT

For the year ended  
31 May 2017

Janus Henderson  
— INVESTORS —

Henderson European Selected Opportunities Fund

# Henderson European Selected Opportunities Fund

## Short Report

For the year ended 31 May 2017

### Investment Fund Managers

John Bennett and Asim Rahman

### 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 European equity markets, by investing in companies having their registered office in Europe and companies that do not have their registered office in Europe 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 Europe.

The fund will invest in companies of any market capitalisation.

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

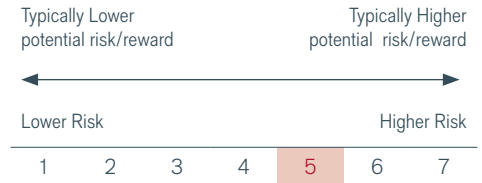
The fund may also invest at the Manager's discretion in other transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging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

### Risk and reward profile

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

A accumulation, C accumulation, I accumulation and I income.

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 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.

**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.

**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.

The risk rating for all share classes has decreased from 6 to 5 during the year.

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

## Investment review

Equity markets have continued their 'wall of worry' climb over the year. The wall is amply demonstrated by the considerable political noise that continues to command the attention of the media at large as well as the usual financial commentariat. Thus, we have seen perceived risk travel from Brexit via Donald Trump to European elections. We continue to ignore much of this.

Having entered 2017 believing that the world had shifted from a growth to a value market, we note that European equities have fared well versus their US counterparts since the presidential election. With the fall in bund yields (prices move inversely to yields), growth stocks have recently resumed their outperformance versus value, although, happily, stock dispersion has returned. In general, equities continue to be sensitive to bond yield gyrations and associated inflation expectations. Indeed, this is at the heart of the continuing tension between growth and value stocks. In the former camp, we detect that a number of mid-caps in particular look stretched.

Over the year to 31 May 2017, the fund's net asset value rose by 31.9% (Retail Class, Acc, GBP) compared with a rise of 35.8% in its benchmark index, the FTSE World Europe excluding UK.

The financials sector was the largest contributor to alpha over the year, while healthcare detracted. At a stock level, there were key contributions from Adidas, Nordea Bank, Sandvik and Volvo. Laggards included Autoliv, Roche and Novartis.

In investment terms, we tend to make changes in a gradual or incremental way. While not wishing to be labelled with any particular style, we first used the phrase 'tilt to value' back in 2015 when talking to investors. Our first target was a tactical move into oil stocks in the third quarter of 2015. The tilt to value accelerated significantly in the second half of 2016.

## Investment review (continued)

Since August 2016, we have increasingly positioned the fund for a better inflationary outlook, and, as we moved into 2017, we believed that the most important sector was something we had not liked for the past decade – financials. We believe that we are approaching the end of a decade-long bear market for banks, as a combination of rehabilitated capital ratios and an inflection in interest rates makes the industry once again investable. This proved to be a timely move, as European financials, specifically banks, were the best performing part of the market overall during the second half of 2016. We have added positions in ABNAMRO, BNP Paribas, Danske Bank, ING, KBC, Société Générale and Unicredit. The financials sector is our largest sector overweight at the end of the reporting period.

The fund's tilt back towards so-called value was strengthened by our addition of names such as Trelleborg, which is benefiting from self help measures being implemented by management, and Italian agricultural machinery manufacturer CNH Industrial, where we foresee strong potential for earnings growth, independent of the recovery in the agricultural equipment market. As part of our self help theme, we also introduced auto parts manufacturer Michelin, which has an undemanding valuation and further self help potential.

The pharmaceutical sector was the main headwind for our portfolio, with Roche and Novartis in particular having a very poor year. Since our decision in the spring of 2010 to favour this industry, it has yielded ample reward. However, the past year has seen it stall. Ahead of the US election, we reduced our healthcare weighting. However, our analysis tells us that despite the tougher pricing environment, those companies discovering and launching drugs that meet unmet clinical needs will secure their patents, pricing and future. Thus, since spring 2017, we began to increase our holdings in the healthcare sector after a period of underperformance, and we are now slightly overweight.

At a stock level, the main detractor was automotive safety systems manufacturer Autoliv, whose share price was weak due to slower recent growth in active safety. Additionally, in passive safety, it has seen pressure on near term margins, following a high volume of engineering projects in order to meet strong order intake. We reduced our holding; however, following a meeting with management in May, we added to the position, given greater confidence about the mid term trajectory.

Adidas has proven an excellent performer and we took the opportunity to book profit. We also took some profit on Dutch food retailer Ahold Delhaize, Danish listed cleaning business ISS and worldwide catering support services provider Compass Group. Other disposals included telecommunication names BT Group, Deutsche Telekom, Orange and Telecom Italia. At the end of the reporting period, we have no holdings in the telecommunications sector.

Markets could see some short term consolidation after a respectable year to date performance, and as we enter the summer holiday season. There is a clear valuation gap between Europe and the US, but, within Europe, growth stocks continue to command a significant premium to their value counterparts. We continue to expect that a stronger economy and corporates will feed through to inflation and benefit the value end of the market.

While Europe continues to climb its political wall of worry, we must also monitor the political and economic risks from the US and Asia, to assess whether they could derail our thesis on Europe.

## 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 European Selected Opportunities Fund	31.9	(6.9)	10.7	13.2	44.5
FTSE World Europe Ex UK Index	35.8	(3.7)	4.7	13.5	43.3

Source: Morning star – 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	1.70	1.71
Class C	0.56	0.57
Class I	0.84	0.85

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 C 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)
<b>Change in net assets per share</b>						
Opening net asset value per share	1,271.93	1,344.92	1,233.58	1,395.54	1,459.29	1,323.62
Return before operating charges*	418.44	(51.27)	132.46	461.03	(55.86)	143.27
Operating charges	(24.91)	(21.72)	(21.12)	(8.90)	(7.89)	(7.60)
Return after operating charges*	393.53	(72.99)	111.34	452.13	(63.75)	135.67
Distributions on accumulation shares	(9.34)	(10.61)	(7.79)	(28.93)	(29.41)	(24.46)
Retained distributions on accumulation shares	9.34	10.61	7.79	28.93	29.41	24.46
Closing net asset value per share	1,665.46	1,271.93	1,344.92	1,847.67	1,395.54	1,459.29
* after direct transaction costs of:	2.40	2.17	3.02	2.60	2.37	3.24
<b>Performance</b>						
Return after charges	30.94%	(5.43%)	9.03%	32.40%	(4.37%)	10.25%
<b>Other information</b>						
Closing net asset value (£000s)	1,117,124	967,486	1,403,078	398	5,179	5,777
Closing number of shares	67,075,928	76,064,195	104,324,395	21,570	371,144	395,792
Operating charges	1.70%	1.71%	1.70%	0.56%	0.57%	0.57%
Direct transaction costs	0.16%	0.17%	0.24%	0.16%	0.17%	0.24%
<b>Prices</b>						
Highest share price (pence)	1,677.00	1,360.00	1,388.00	1,860.00	1,475.00	1,504.00
Lowest share price (pence)	1,237.00	1,162.00	1,092.00	1,358.00	1,271.00	1,177.00

**Comparative tables** (continued)

	<b>Class I accumulation</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>(pence per share)</b>	<b>(pence per share)</b>	<b>(pence per share)</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	1,366.16	1,431.79	1,292.95
Return before operating charges*	450.81	(54.11)	150.25
Operating charges	(13.28)	(11.52)	(11.41)
Return after operating charges*	437.53	(65.63)	138.84
Distributions on accumulation shares	(24.27)	(25.25)	(20.87)
Retained distributions on accumulation shares	24.27	25.25	20.87
Closing net asset value per share	1,803.69	1,366.16	1,431.79
* after direct transaction costs of:	2.59	2.31	3.27
<b>Performance</b>			
Return after charges	32.03%	(4.58%)	10.74%
<b>Other information</b>			
Closing net asset value (£000s)	877,550	723,261	447,644
Closing number of shares	48,653,082	52,940,950	31,264,763
Operating charges	0.84%	0.85%	0.85%
Direct transaction costs	0.16%	0.17%	0.24%
<b>Prices</b>			
Highest share price (pence)	1,816.00	1,447.00	1,475.00
Lowest share price (pence)	1,329.00	1,245.00	1,156.00

**Comparative tables** (continued)

	<b>Class I Income</b>		
	<b>2017</b> <b>(pence per share)</b>	<b>2016</b> <b>(pence per share)</b>	<b>2015</b> <b>(pence per share)</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	161.96	172.93	160.70
Return before operating charges*	53.43	(6.53)	16.18
Operating charges	(1.56)	(1.39)	(1.39)
Return after operating charges*	51.87	(7.92)	14.79
Distributions on income shares	(2.88)	(3.05)	(2.56)
Closing net asset value per share	210.95	161.96	172.93
* after direct transaction costs of:	0.30	0.28	0.40
<b>Performance</b>			
Return after charges	32.03%	(4.58%)	9.20%
<b>Other information</b>			
Closing net asset value (£000s)	353,127	459,381	385,468
Closing number of shares	167,397,442	283,642,754	222,902,348
Operating charges	0.84%	0.85%	0.85%
Direct transaction costs	0.16%	0.17%	0.24%
<b>Prices</b>			
Highest share price (pence)	215.30	174.80	180.80
Lowest share price (pence)	157.70	150.40	141.70

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.**



<b>Major holdings</b>	
<b>as at 2017</b>	<b>%</b>
Nestlé	4.76
Roche Holdings	3.90
Bayer	3.68
Novartis	3.45
SAP	2.84
ING	2.60
RELX	2.50
Galp Energia	2.44
Henkel KGaA Vorzug Non-Voting Preference	2.37
Autoliv	2.36

<b>Major holdings</b>	
<b>as at 2016</b>	<b>%</b>
Novartis	8.54
Roche Holdings	8.04
Autoliv	4.67
Nestlé	4.03
Henkel KGaA Vorzug Non-Voting Preference	3.41
Fresenius	3.08
RELX	2.99
Total	2.94
Ahold	2.79
Nordea Bank	2.74

<b>Asset allocation</b>	
<b>as at 2017</b>	<b>%</b>
Germany	20.06
France	14.24
Switzerland	12.85
Sweden	12.65
Netherlands	8.21
United Kingdom	6.49
Denmark	4.00
Spain	2.87
Ireland	2.61
Portugal	2.44
Belgium	2.15
Italy	1.95
Finland	1.83
Norway	1.54
United States	0.64
Derivatives	0.16
Other net assets	5.31
<b>Total net assets</b>	<b>100.00</b>

<b>Asset allocation</b>	
<b>as at 2016</b>	<b>%</b>
Switzerland	24.54
Germany	18.44
France	12.64
Sweden	12.01
United Kingdom	9.48
Netherlands	5.09
Norway	3.52
Denmark	3.08
Italy	2.86
Finland	2.29
Spain	1.92
Portugal	1.18
Ireland	1.09
Belgium	0.99
Other net assets	0.87
<b>Total net assets</b>	<b>100.00</b>

## Report and accounts

This document is a short report of the Henderson European Selected 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](http://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

### Depository

National Westminster Bank plc  
135 Bishopsgate  
London EC2M 3UR

## 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

### Shareholder Administrator

International Financial Data Services (UK) Limited  
IFDS House  
St. Nicholas Lane  
Basildon, Essex SS15 5FS

## 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](mailto:support@janushenderson.com)

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

### Online valuations

You can value your Henderson European Selected Opportunities Fund at any time by logging on to [www.janushenderson.com](http://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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