

Henderson

Japan Absolute Return

Fund

Short Report

For the year ended 31 May 2012

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Fund Managers

Robert Tull & John Stewart

Investment objective and policy

The Fund aims to achieve a positive absolute return over the long-term regardless of market conditions, by taking long and short positions primarily in equities or equity related derivative contracts of companies having their registered office in Japan and companies that do not have their registered office in Japan 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 Japan, although all or a substantial proportion of the assets of the Fund may at any time consist of cash, near cash, deposits and/or money market instruments.

The Fund will invest in companies of any market capitalisation.

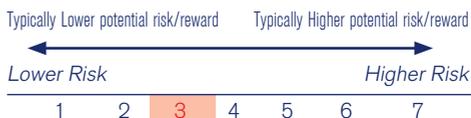
Long positions may be held through a combination of direct investment and/or derivative instruments. Short positions will be held through derivative positions, primarily equity swaps and futures.

The use of derivatives forms an important part of the investment strategy.

The Fund may also invest at the Manager's discretion in other transferable securities, derivative instruments and collective investment schemes.

Risk and reward profile

The Fund currently has 2 share classes; A accumulation and I accumulation. The risk and reward profile of each share class is as follows:



The value of an investment in the Fund can go up and down. When you sell your shares, they may be worth less than what 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 Fund's risk level reflects the following:

- The Fund focuses on a single region
- As a category, shares are more volatile than either bonds or money market instruments
- The Fund's short exposures mean it can lose money if certain shares rise in price
- 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 which could amplify everyday risk and trigger other risks such as:

Counterparty risk The Fund could lose money if an entity with which it interacts 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.

Derivatives risk Certain derivatives could behave unexpectedly or could expose the Fund to losses that are significantly greater than the cost of the derivative.

Liquidity risk 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.

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

Managers' commentary

The period under review was a terrible year for equities with the Tokyo market – having only just begun to stabilise after the earthquake and tsunami of March 2011 – falling another 14% compared to a generally flat performance by US equities. The political confusion surrounding the US debt ceiling in the summer was followed by repeated bouts of crisis and panic emanating from Europe. The occasional periods where economic fundamentals and company earnings could drive stock prices were few and short-lived, while the main driver of markets was policy or, more frequently, its absence.

Japan began the year anticipating a recovery from the events of March, although this was clouded by ongoing supply chain problems and fear over power shortages engendered by the closure of the country's nuclear generating infrastructure. These problems were compounded for many auto and electronic firms by severe flooding in Thailand where many Japanese companies have relocated substantial production capacity. What should potentially have proved a good year for Japanese gross domestic product (GDP) growth and earnings was swamped by global turmoil and natural disaster.

Predictably, the sectors which outperformed were generally domestic defensives such as retail and food, while losing sectors were exporters and cyclical including glass makers and shippers.

Against this background the Fund lost 4.5%. We generally maintained a net long exposure during the period although generally our caution on the global uncertainty led us to restrain this exposure more

than our fundamental view might have suggested. Nevertheless we were occasionally caught by the speed of the sell-offs, particularly in April and May. As well as pure market exposure, the correlated nature of the market moves made stock picking also particularly difficult this year.

Positive contributions came from exposure to auto stocks and financials where we managed to generate good returns on both long and short stock positions. However, we lost performance on our positions within the transport sector where we were generally short domestic railways and long in the more globally exposed shipping companies.

Our top single contribution came from a short position in Olympus, a maker of optical equipment, which suffered a fraud scandal during the period.

Our current paradox is that while the vacuum in Europe opens up scenarios – which suggest that things 'could' get an awful lot worse – Japanese stocks are oversold trading at record low valuations, corporate earnings are generally strong and, GDP growth is strongest in the developed economies. Thus we fear that the market is as much at risk of a melt up, as a melt down.

The European Monetary Union (EMU) project is probably too important to the core members of the euro to allow it to fail and a longer term solution will eventually be forthcoming with or without Greece. However, any solution will take time to thrash out requiring sacrifice on the part of both German creditors and peripheral debtors; the apparent lack of firm leadership is likely to continue to give rise to periods of market instability. In the meantime we remain concerned that the political instability is engendering weakness in global corporate and retail spending, potentially causing a wider slowdown.

Given this background it is prudent to trim exposure as far as possible to manageable levels. We currently continue to maintain exposure to banks and selective exporters, which despite the obvious risks reflect the extreme valuations versus financial soundness and earnings strength that they offer. Excess returns (alpha) through value and mean reversion will undoubtedly return to markets when the current cycle of risk aversion ends, but timing remains uncertain.

Performance summary

	1 Jun 11- 31 May 12 %	1 Jun 10- 31 May 11 %	1 Jun 09*- 31 May 10 %
Henderson Japan Absolute Return Fund	(4.5)	4.0	-

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, net of fees, GBP. Figures in brackets are negative.

* 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.

Summary of Fund performance

Share class	Net asset value 2012 p	Net asset value 2011 p	Net asset value % change
Class A accumulation*	100.47	105.18	(4.47)
Class I accumulation**	102.12	106.20	(3.84)

* Share class name changed from Retail Accumulation on 11 July 2011.

** Share class name changed from Institutional Accumulation on 11 July 2011.

Fund facts

Accounting dates	Payment dates
31 May, 30 November	31 July, 31 January

Total expense ratio

	2012 %	2011 %
Class A	1.86	2.83
Class I	1.20	1.99

The total expense ratio (TER) of the Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.

Ongoing charge figure*

	2012 %
Class A	2.50
Class I	1.84

The ongoing charge figure (OCF) of the Fund is the ratio of the total ongoing charges to the average net asset value for twelve months.

* The OCF replaces the TER. It is calculated in accordance with guidelines issued by the Committee of European Securities Regulators with the aim of ensuring a harmonised approach to the calculation of the OCF by all UCITS.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2010**	–	103.13	99.44
2011	–	105.56	102.08
2012	– +	104.16*	100.39*
Class I accumulation			
2010**	–	103.61	99.45
2011	–	106.57	103.30
2012	– +	105.67*	102.03*

* to 31 May

+ to 31 July

** From 29 January 2010 to 31 December 2010

Major holdings

as at 2012	%
Mitsubishi UFJ Financial	2.69
Honda Motor	2.00
Sumitomo Corporation	1.79
Softbank	1.69
Fanuc	1.61
Nippon Telegraph & Telephone	1.61
Orix Corporation	1.61
TSE TOPIX IDX Future June 2012	1.58
NKSJ Holdings	1.50
Mitsui Chemicals	1.25

Major holdings

as at 2011	%
Toshiba	2.75
Inpex Holdings	2.75
Denso Corporation	2.65
NTT DoCoMo	2.52
Bridgestone	2.00
Tokio Marine Holdings	1.96
Honda Motor	1.96
Tokyo Electron	1.87
Sumitomo Mitsui Financial	1.31
Mitsubishi Heavy Industries	1.24

Past performance is not a guide to future performance.

Asset allocation

	2012	2012	2012	2012	2012
			Long Positions	Short Positions	Gross Exposure
	£000	%	%	%	%
Investment					
United Kingdom	(74)	(2.65)	(2.65)	–	(2.65)
Japan	1,468	52.63	48.36	41.84	90.20
Total investments	1,394	49.98	45.71	41.84	87.55
Net other assets					
Net cash	1,396	50.06			
Net (creditors)/debtors	(1)	(0.04)			
Total net other assets	1,395	50.02			
Net Assets	2,789	100.00			

Asset allocation

	2011	2011	2011	2011	2011
			Long Positions	Short Positions	Gross Exposure
	£000	%	%	%	%
Investment					
United Kingdom	19	0.62	0.62	–	0.62
Japan	1,394	45.63	48.60	42.20	90.80
Total investments	1,413	46.25	49.22	42.20	91.42
Net other assets					
Net cash	1,608	52.64			
Net (creditors)/debtors	34	1.11			
Total net other assets	1,642	53.75			
Net Assets	3,055	100.00			

Please note the asset allocation as at 31/05/11 has been restated to show the net forward currency position as shown in the portfolio statement in the long form accounts.

Report and accounts

This document is a short report of the Henderson Japan Absolute Return Fund for the year ended 31 May 2012.

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 investor 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 IMA and authorised and regulated by the Financial Services Authority.
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Depository

HSBC Bank plc
8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Services Authority.

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.

Independent auditors

PricewaterhouseCoopers LLP
141 Bothwell Street, Glasgow G2 7EQ

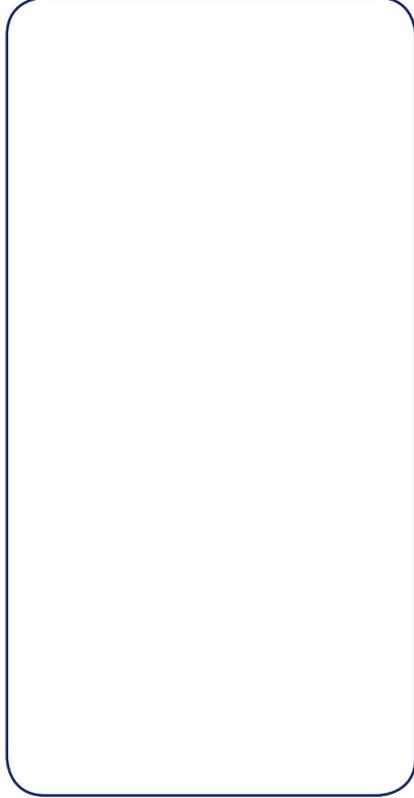
Institute of Chartered Accountants in England and Wales.

Contact us

Customer Services 0800 832 832

www.henderson.com

**Head Office address:
201 Bishopsgate, London EC2M 3AE**



Changes of address – regulatory requirements

FSA regulation requires us to send this report mailing to the address held on file on the accounting date of 31 May 2012. 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 Japan Absolute Return 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. 9063355), Henderson Fund Management Limited (reg. no. 2607112), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 17955554), Henderson Alternative Investment Advisor 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 Services Authority to provide investment products and services. Telephone calls may be recorded and monitored.

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

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