



ANNUAL SHORT REPORT

For the year ended
31 May 2017

Janus Henderson
— INVESTORS —

Henderson UK Absolute Return Fund

Henderson UK Absolute Return Fund

Short Report

For the year ended 31 May 2017

Investment Fund Managers

Luke Newman and Ben Wallace

Investment objective and policy

The fund aims to achieve a positive absolute return over the long-term regardless of market conditions. The fund aims to typically deliver absolute (more than zero) returns over a rolling 12 month period. An absolute return performance is not guaranteed over this specific, or any other, time period and consequently capital is in fact at risk. The fund will typically invest at least 60% of its total assets by taking long or short positions in equities or equity related derivative contracts of: companies having their registered office in the UK; and companies that do not have their registered office in the UK 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 the UK, (iii) are a constituent in the FTSE All-Share Index. In addition, in seeking to implement the fund's investment objective, manage market exposure and ensure that the fund remains sufficiently liquid to cover obligations arising from derivative positions: a substantial proportion of the fund's assets 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.

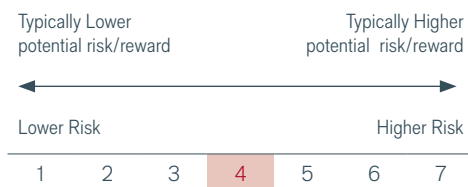
The fund may also invest at the Manager's discretion in other transferable securities, derivative instruments and collective investment schemes.

Risk and reward profile

The fund currently has 2 types of share class in issue:

A accumulation and I 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 4 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.

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 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 SRRl conforms to the ESMA guidelines for the calculation of the SRRl.

Investment review

The earlier half of the reporting year was dominated by the run-up to and aftermath of the UK's referendum on European Union (EU) membership, which took place on 23 June 2016. The UK's vote to leave the EU (commonly known as 'Brexit') surprised markets, sending both the value of the pound and domestically focussed UK stocks plunging. Political turmoil and uncertainty followed. However, a weaker sterling helped overseas-earning UK-listed companies deliver strong returns through their repatriated earnings. In November, equity markets reacted positively to the election of Donald Trump as US president. His proposed growth stimulus and protectionist policies were seen as likely to be inflationary. Yield curve steepening meant banking and insurance stocks led the moves higher in equity markets, while bond-like instruments in the equity market ('bond proxies') came under renewed pressure. UK equities also had a strong first quarter of 2017, thanks to a recovery in previous laggards within consumer-facing sectors. The end of the reporting year saw investors looking more critically on prospects for a sustained recovery, with a subsequent resurgence in share prices for quality companies capable of delivering dividend growth.

The fund returned 2.4% during the reporting year. The most significant contributors to returns were long positions in 'dividend growers', such as publisher RELX, software provider Micro Focus and gaming company GVC. Insurance companies Aviva and Legal & General were also positive for performance, rallying on clarity over capital requirements and a better operating environment. Overall, long positions within the consumer discretionary and financials sectors made the most significant contribution to fund returns. Short positions in UK housebuilders and a European insurer – held as hedges against long positions in UK-listed housebuilders and insurers – detracted on overall fund performance.

Investment review (continued)

Within the long-term Core book, a key focus for long positions was identifying those companies capable of delivering dividend growth. Meanwhile, a key theme within the Core short book was wage inflation, where minimum wage and 'living wage' regulation in the food retail, leisure and government outsourcing sectors will present increased wage bills. The managers established longer-term shorts in these areas. Long positions within the housebuilding sector were scaled up following post-referendum share price weakness and expectations that the UK government will provide further stimulus measures for the sector. Similarly, long positions in insurance stocks were increased following the sell-off. The steepening yield curve environment should prove profitable for their business models.

The shorter-term Tactical book was particularly active over the year, with moves in currency, fixed income and commodity markets all presenting trading opportunities. Use of index futures helped manage net exposure during periods of market weakness.

There was a marked increase in stock dispersion during the latter part of the reporting year, resulting in increasing opportunities on both the long and short side of the fund. This led to the managers increasing gross positioning, after a period where the high volatility and tight stock correlation warranted conservative levels of risk.

Macroeconomic factors continue to dominate equity markets, and the managers expect the volatility seen in capital markets to continue. From a political viewpoint, there are ongoing after-effects of European elections to contend with, as well as the ongoing Brexit negotiations. From an economic viewpoint, inflationary pressures and the pace of normalising interest rates globally will prove crucial in the ultimate direction of capital markets. We believe this environment can provide opportunity on both the long and the short side of the strategy.

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 UK Absolute Return Fund	2.4	3.4	7.8	8.7	14.0

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

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 January, 31 July

Ongoing charge figure

	OCF# 2017 %	Performance fees 2017 %	OCF# 2016 %	Performance fees 2016 %
Class A	1.69	0.54	1.70	0.85
Class I	1.06	0.74	1.06	0.98

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 excludes performance fees.

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	153.51	147.47	137.81	160.08	153.74	141.99
Return before operating charges*	7.00	11.81	14.16	7.50	10.42	16.19
Operating charges	(2.60)	(2.69)	(2.38)	(1.71)	(1.78)	(1.56)
Operating charges – performance fees	(0.83)	(3.08)	(2.12)	(1.19)	(2.30)	(2.88)
Return after operating charges*	3.57	6.04	9.66	4.60	6.34	11.75
Distributions on accumulation shares	-	-	-	(0.20)	(0.41)	(0.68)
Retained distributions on accumulation shares	-	-	-	0.20	0.41	0.68
Closing net asset value per share	157.08	153.51	147.47	164.68	160.08	153.74
* after direct transaction costs of:	0.90	0.55	0.90	0.41	0.57	0.94
Performance						
Return after charges	2.33%	4.10%	7.01%	2.87%	4.12%	8.28%
Other information						
Closing net asset value (£000s)	97,659	116,089	57,760	2,070,961	1,407,439	548,994
Closing number of shares	62,172,192	75,623,489	39,166,162	1,257,575,579	879,199,219	357,085,728
Operating charges	1.69%	1.70%	1.69%	1.06%	1.06%	1.06%
Operating charges – performance fees	0.54%	0.85%	1.51%	0.74%	0.98%	1.96%
Direct transaction costs	0.26%	0.37%	0.64%	0.26%	0.37%	0.64%
Prices						
Highest share price (pence)	157.20	153.50	148.50	164.80	160.10	154.10
Lowest share price (pence)	149.60	145.70	134.50	156.00	151.30	138.90

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	%
RELX	6.54
Deutsche Global Liquidity Managed Sterling Fund Platinum Class	3.95
Crédit Industriel et Commercial 0.32% 18/07/2017	2.51
Citibank 0.24% 04/08/2017	2.11
DZ Bank 0.26% 06/06/2017	2.11
Bank of Nova Scotia 0.25% 30/06/2017	2.02
Sumitomo Mitsui Banking 0.30% 18/08/2017	1.98
Unilever	1.84
Credit Agricole 0.32% 10/08/2017	1.80
Toronto-Dominion Bank 0.25% 30/06/2017	1.80

Major holdings

as at 2016	%
Deutsche Global Liquidity Managed Sterling Fund Platinum Class	3.84
RELX	3.63
Credit Agricole 0.60% 30/06/2016	2.57
Citibank 0.57% 01/06/2016	2.10
Sumitomo Mitsui Banking Corporation 0.62% 07/06/2016	2.04
Abbey National Treasury Services 0.61% 07/06/2016	1.81
Bank of Nova Scotia 0.55% 08/08/2016	1.80
Bank of America 0.635% 29/09/2016	1.64
Commonwealth Bank of Australia 0.48% 11/06/2015	1.51
Australia & New Zealand Banking 0.58% 16/09/2016	1.44

Asset allocation	
as at 2017	%
United Kingdom	22.77
Canada	10.77
United States	10.37
France	8.79
Netherlands	5.96
Japan	6.21
Germany	4.12
Finland	3.55
Singapore	3.48
United Arab Emirates	3.44
Switzerland	2.61
Denmark	2.49
Sweden	2.44
Australia	1.61
Ireland	0.13
Collective Investment Schemes	3.95
Derivatives	(0.66)
Other net assets	7.97
Total net assets	100.00

Asset allocation	
as at 2016	%
United Kingdom	17.40
Netherlands	9.19
Canada	7.75
United States	7.43
France	6.47
Australia	5.94
Denmark	5.22
Japan	3.91
Germany	3.59
United Arab Emirates	3.58
Finland	3.45
Sweden	3.45
Singapore	3.34
Switzerland	2.36
Ireland	0.11
Collective Investment Schemes	3.84
Derivatives	0.86
Other net assets	12.11
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson UK Absolute Return 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:
201 Bishopsgate
London EC2M 3AE

Member of The Investment Association and authorised and regulated by the Financial Conduct Authority.
Registered in England No 2678531

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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**

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

Online valuations

You can value your Henderson UK Absolute Return 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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