



INTERIM SHORT REPORT

For the six months ended
30 November 2016

Henderson
GLOBAL INVESTORS

Henderson China Opportunities Fund

Henderson China Opportunities Fund

Short Report

For the six months ended 30 November 2016

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 (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 lowest category does not mean risk free.

The fund's risk level reflects the following:

- The fund focuses on a single country.
- The fund may access Chinese securities through the Shanghai-Hong Kong Stock Connect programme, whose current regulations impose compulsory requirements which may restrict the fund's ability to invest and so the fund may not be able to effectively pursue its investment strategy. The recognition of the fund's beneficial ownership of the securities acquired through the programme is untested and the fund will be exposed to counterparty risk with brokers and with the China Securities Depository and Clearing Corporation Limited.
- As a category, shares are, in general, more volatile than either bonds or money market instruments.
- The fund focuses on countries that have less developed markets.
- 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. Under normal market conditions the following risks may apply:

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

Geographic risk The fund's value may fall where it has concentrated exposure to a particular country or region that is heavily affected by an adverse event.

Liquidity risk In difficult market conditions 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.

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

The SRR1 conforms to the ESMA guidelines for the calculation of the SRR1.

Investment review

From June to the end of November, Chinese equity markets in Hong Kong and Shanghai enjoyed a gentle and stealthy rally, driven by a strong half year reporting season that saw many consumer-facing companies reporting faster profit growth than analysts expected. Rather than questionable gross domestic product data, we follow the more reliable purchasing manager's indices of economic activity. These showed that the Chinese economy re-accelerated modestly over the period, probably in response to the easier monetary conditions initiated earlier in the year. The Chinese yuan depreciated against the US dollar, but it remained relatively stable versus its other trading partners.

The fund returned 31.7% over the six-month period, compared with the benchmark MSCI AC Zhong Hua, which returned 29.6%, placing the fund in the top quartile of peer group returns.

Performance was driven by strong stock selection, in particular in our favoured consumer and information technology sectors. Top stock contributors included US listed Sina, a major shareholder of social media platform Weibo, which is seeing strong user growth and accelerating advertising revenue; and branded hotel group China Lodging Group, which is reporting strong profit growth after combining its budget hotel operations with Accor's more mid-tier portfolio. The Hong Kong listed shares of BMW's joint venture partner Brilliance China rose strongly as profitability seems to be improving, and as the market looks towards a strong new model line-up in 2017. Pleasingly, two of our holdings in the Shanghai A-share markets helped performance. Liquor brand Kweichow Moutai reported increasing demand and prices, while railway freight company Daqin Railway rose as the thermal coal market recovered. Detractors from performance included telecommunications company China Mobile, which reported weaker-than-expected profits, causing us to trim our position (we chose not to exit entirely due to the inexpensive valuation and strong cash generation), and HKT Trust, which fell in-line with other higher-yield stocks globally. Internet retailer Vipshop also posted weak quarterly results – we exercised our stop loss mechanism and cut our position.

Investment review (continued)

A number of our growth companies performed well and closed in on our fair values, so we lightened a number of positions and redeployed the funds into the more value end of the market, where we saw improving fundamentals as well as low valuations and investor expectations picking up. We took profits in education company New Oriental Education and auto parts supplier Minth Group. We trimmed our position in athletic leisurewear supplier Shenzhen International. We chose not to buy the banks as we feel these are value traps with weak fundamentals, but added positions in energy companies CNOOC and China Petroleum & Chemical, topped up our position in Anhui Conch Cement and introduced a holding in life insurer Ping An Insurance.

Investors should note that the mutual market access programme between the Hong Kong and mainland Chinese stock exchanges in Shanghai and Shenzhen continues to broaden, and makes foreign participation in these mainland A-share markets much easier, operationally. We continue to find interesting investment opportunities in these markets and we have been raising the fund's holdings in mainland markets.

We simply cannot predict what a Trump presidency will mean for China, but his Twitter feed is giving us strong hints that US-China relations will be more volatile and less predictable going forward. China has been a huge beneficiary from 15 or more years of globalisation, but we must recognise that we are now in an era of anti-globalisation. Fortunately, China is not as reliant on trade for growth as it was in the early 2000s; it is now more of a domestically driven economy. The weakness of the Chinese currency is within our expectations and will probably continue.

On our latest research trip to Zhejiang and Guangdong, two of the richest provinces in China, we were pleased to find that almost all companies were reporting an improved operating outlook, reflecting the peak in the economy through 2016. A number of our consumer-facing companies are having success with new products and, for some, brand building is improving pricing power. The Trump-driven rotation in the market, where growth stocks have fallen and value stocks have risen, has now reached a stage where we feel it's time to add back to some of our growth names. We continue to feel our strategy of focusing on the best cash generative companies, focused on consumer demand, is appropriate.

Performance summary

	Six months 31 May 16- 30 Nov 16	One year 30 Nov 15- 30 Nov 16	Five years 30 Nov 11- 30 Nov 16	Since launch 31 Mar 83- 30 Nov 16	
Cumulative performance	%	%	%	%	
Henderson China Opportunities Fund	31.7	30.9	82.4	6,113.7	
MSCI AC Zhong Hua Index	29.6	27.5	84.2	n/a*	
	30 Nov 15- 30 Nov 16	30 Nov 14- 30 Nov 15	30 Nov 13- 30 Nov 14	30 Nov 12- 30 Nov 13	30 Nov 11- 30 Nov 12
Discrete performance	%	%	%	%	%
Henderson China Opportunities Fund	30.9	1.6	11.7	21.7	1.0

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.

*Benchmark return is not quoted as the fund inception date is earlier than the benchmark 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* 30/11/16 p	Net asset value* 31/05/16 p	Net asset value % change
Class A accumulation	1,086.90	836.02	30.01
Class I accumulation	153.95	117.91	30.57
Class I USD accumulation	1,155.78	886.14	30.43

* The net asset value is calculated as at close of business on the last business day of the accounting period. The investments are valued at fair value which is generally deemed to be the bid market price.

Fund facts

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

Ongoing charge figure

	30/11/16 %	31/05/16 %
Class A	1.72	1.74
Class I	0.86	0.89
Class I USD	1.08	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).

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2012	2.95	662.48	542.10
2013	4.93	744.80	606.70
2014	3.93	832.10	655.30
2015	2.98	1,069.00	699.90
2016	5.05	1,162.00+	706.90+
2017	0.01*	–	–
Class I accumulation			
2012	0.46	90.06	73.99
2013	1.33	102.80	83.41
2014	1.40	115.90	90.80
2015	0.89	149.30	98.06
2016	1.62	164.40+	99.44+
2017	0.62*	–	–
Calendar year	Net revenue (USD cents per share)	Highest price (USD cents per share)	Lowest price (USD cents per share)
Class I USD accumulation			
2012	3.21	1,075.50	885.69
2013	13.69	1,272.00	975.00
2014	17.14	1,376.00	1,158.00
2015	8.91	1,645.00	1,160.00
2016	14.15	1,522.00 +	1,087.00+
2017	4.32*	–	–

* to 31 January.

+ to 30 November.

Past performance is not a guide to future performance.

Revenue distribution

Share class	30/11/16 p	30/11/15 p
Class A accumulation	0.01	5.05
Class I accumulation	0.62	1.21

Share class	30/11/16 USD cents	30/11/15 USD cents
Class I USD accumulation	4.32	12.20

Total dividend distributions for the six months ended 30 November 2016, comparison is for the same period last year. Dividend distributions paid to shareholders after 6 April 2016 are paid gross as the government has abolished the dividend tax credit.

Major holdings	
as at 30/11/16	%
Alibaba Holdings ADS	9.38
Tencent Holdings	9.00
AIA	8.62
Ping An Insurance	5.01
Anhui Conch Cement	4.23
China Mobile	4.14
Sina	3.95
CNOOC	3.41
Daqin Railway P-Note 18/11/2017	3.23
China Lodging ADS	3.03

Major holdings	
as at 31/05/16	%
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 30/11/16	%
Software & Computer Services	18.74
Life Insurance	13.63
General Retailers	11.11
Automobiles & Parts	7.19
Pharmaceuticals & Biotechnology	6.77
Oil & Gas Producers	5.46
Industrial Transportation	4.94
Financial Services	4.88
Construction & Materials	4.23
Mobile Telecommunications	4.14
Travel & Leisure	4.09
Personal Goods	3.82
Technology Hardware & Equipment	2.03
Mining	1.96
Fixed Line Telecommunications	1.83
Gas, Water & Multi-utilities	1.12
Food Producers	1.00
Beverages	0.95
Household Goods & Home Construction	0.60
Other net assets	1.51
Total net assets	100.00

Asset allocation	
as at 31/05/16	%
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 six months ended 30 November 2016.

Copies of the annual and half yearly long form reports of this fund are available on our website www.henderson.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 period it covers and the results of those activities at the end of the period.

Issued by:

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

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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

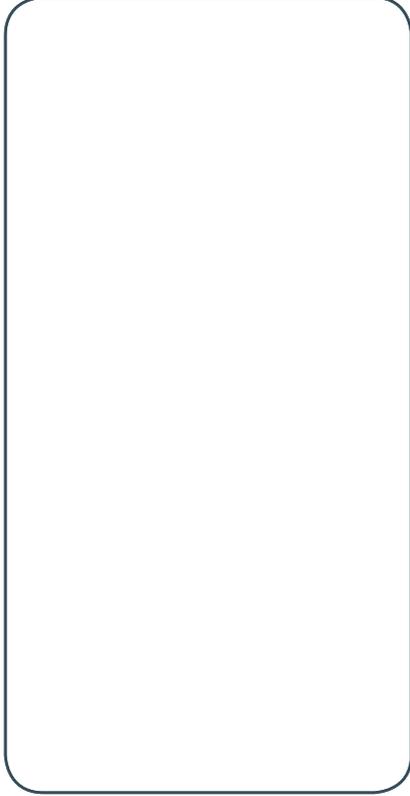
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Changes of address – regulatory requirements

FCA regulation requires us to send this report mailing to the address held on file on the accounting date of 30 November 2016. 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 China Opportunities 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. 906355), Henderson Fund Management Limited (reg. no. 2607112), 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 at 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. Ref: 34Y

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

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