



INTERIM SHORT REPORT

For the six months ended
30 November 2016

Henderson
GLOBAL INVESTORS

Henderson European Absolute Return Fund

Henderson European Absolute Return Fund

Short Report

For the six months ended 30 November 2016

Investment Fund Manager

John Bennett

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 take, long and short positions primarily in equities or equity related derivative contracts of: companies having their registered office in Europe (including United Kingdom); and companies that do not have their registered office in Europe (including United Kingdom) 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 (including United Kingdom), although all or a substantial proportion of the physical 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.

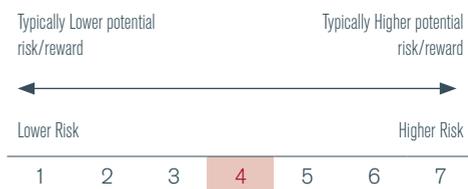
The fund may also invest at the Manager's discretion in other transferable securities, derivative instruments and collective investment schemes.

Risk and reward profile

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

A accumulation, I accumulation, I EUR Hedged accumulation and I USD Hedged accumulation.

Each type of share class has the same risk and reward profile which is as follows:



The Synthetic Risk and Reward Indicator (SRRI) is calculated based on historical volatility over a rolling 5¹ 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 region.
- As a category, shares are, in general, 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. 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.

Currency risk The fund uses derivatives in order to reduce the risks otherwise associated with making investments in currencies other than the fund's accounting currency.

Default risk The issuers of certain bonds could become unable to make payments on their bonds. The risk of default may be higher where the fund invests in sub-investment grade bonds.

Derivatives risk Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative instrument.

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.

¹ Class I EUR Hedged accumulation launched on 17 April 2014 and class I USD Hedged accumulation launched on 24 April 2014, as these share classes do not have 5 years history, a synthetic history has been created using the fund's relevant sector average.

Investment review

Over the six months to 30 November 2016 the fund's NAV fell by 0.7%.

In our view, 2016 was all about investor positioning (and subsequent unwinding of positions). One of the factors that has made this year so challenging for many active managers was the rapid sector and stock rotation. While the market, as measured by the Euro Stoxx 50 index, plunged in, rallied and has subsequently spent the rest of the year going nowhere, the key theme has arguably been investor positioning.

Following the Brexit referendum and the US presidential election, markets will now move on to the next 'domino' in this political sequence: the Italian referendum (not forgetting forthcoming elections in Austria, Netherlands, France and Germany). This will most likely mean that volatility (sharp fluctuations in prices) will remain high.

Over the period on a gross basis, the long book contributed approximately 0.5%, while the short book detracted by 0.6%. A key contributor to performance on the long side was the financials sector (DNB, Nordea Bank, Barclays). While always wary of style labels, we believe that we are at the beginning of a major change in market leadership. For the best part of a decade investors have found comfort in so called 'quality growth' stocks, prime examples being staples and other 'safe' businesses. The powerful boost that such stocks have received in the form of ever-lower interest rates looks to have ended and, for the first time since the crisis of 2009, we believe, we have a chance of moving from a growth market to a value market.

In our opinion, the most important sector as we move into 2017 is something we have not favoured for the past decade – financials. We believe 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 investable again. It will be a volatile ride, not least given the European political agenda for the year ahead, but we will seek to hold on. Hence, we added positions in KBC, ING, Danske Bank and BNP Paribas among others.

On the long side, we had success with UK media group Daily Mail & General Trust, as investors recovered from the panic on domestic-facing UK businesses, and German industrial Henkel, which revealed another set of strong results. The company lifted its guidance for the full year.

Investment review (continued)

The principal detractor for our portfolio in the last year was the pharmaceutical sector, with Novartis and Roche in particular having a very poor year. We have reduced holdings across the sector. Since our decision to favour this industry in the spring of 2010, it has yielded ample reward. But the past year has seen it stall. Much of this can be attributed to the electioneering of the US presidential candidates, with Hillary Clinton particularly volatile on the sector. To dismiss the debate on drug pricing as wholly irrelevant would be a mistake. Our analysis tells us that the direction of travel is indeed to a tougher pricing environment but – and it is an important ‘but’ – those companies discovering and launching drugs that meet unmet clinical needs will secure their patents, their pricing and their future.

On the short side, there were no significant contributors over the period. The main laggards were our index futures hedges, used not as a profit centre but as a liquid hedging tool.

At the end of the accounting year on 31 May 2016, our gross and net exposures continued to reflect our caution on the wider market and stood at around 52% and 22% respectively. Since August 2016, we have increasingly positioned the portfolio for a better inflationary outlook, predominantly through the addition of a number of banks on the long book. Our pharmaceuticals holdings rallied in November 2016

as Hillary Clinton failed to win the White House, although it is important to note that Donald Trump is yet to make his stance toward drug prices clear. In contrast to our financial winners, we have used the pharmaceuticals rally likely to reduce our exposures. Near-term earnings look likely to be lacklustre and there are also imminent binary test results that give us reason for caution. At the end of the period, our gross and net exposures stood at around 74% and 51%, respectively.

Key themes in 2017 will be determined by whether we are correct in our view that equities are moving from a growth to a value market. This may finally bring US equity outperformance in line with other parts of the world, since the value markets of the world are more Europe and Japan than they are the US. Thus, there may be an asset allocation shift to come. The thing that holds us back from having ‘high conviction’ is that the political upheavals in 2016 – Brexit and the election of Donald Trump – are now moving to Europe, and that will be trickier: Europe is not one nation, it’s a currency bloc. Political risk holds us back from saying that relative to the US, Europe is now a ‘buy’. Nevertheless, we will get through that political risk, and that is precisely what may well create the opportunity to buy unpopular Europe.

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 29 Jan 09- 30 Nov 16	
Cumulative performance	%	%	%	%	
Henderson European Absolute Return Fund	(0.7)	(3.4)	41.1	52.9	
	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 European Absolute Return Fund	(3.4)	3.0	9.1	22.7	5.9

Source: Morningstar – 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.

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	153.14	154.02	(0.57)
Class I accumulation	160.38	160.61	(0.14)
Class I EUR Hedged accumulation	130.81	118.41	10.47
Class I USD Hedged accumulation	124.01	106.23	16.74

* 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

30 November, 31 May

Payment dates

31 January, 31 July

Ongoing charge figure

	OCF#	Performance fees	OCF#	Performance fees
	30/11/16 %	30/11/16 %	31/05/16 %	31/05/16 %
Class A	1.72	–	1.72	–
Class I	0.86	–	0.87	–
Class I EUR Hedged	0.86	–	0.85	–
Class I USD Hedged	0.86	–	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 excludes performance fees.

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	–	115.48	108.42
2013	1.95	144.50	115.74
2014	0.78	154.40	144.80
2015	–	162.00	153.00
2016	–	158.20+	149.30+
2017	–*	–	–

Class I accumulation			
2012	–	117.59	109.94
2013	3.08	148.10	117.89
2014	1.95	159.20	148.50
2015	1.02	167.60	157.80
2016	0.53	164.40+	156.20+
2017	–*	–	–

Calendar year	Net revenue (EUR cents per share)	Highest price (EUR cents per share)	Lowest price (EUR cents per share)
Class I EUR Hedged accumulation			
2014 ¹	0.59	154.60	150.00
2015	1.03	162.50	153.30
2016	–	158.90+	150.10+
2017	–*	–	–

Calendar year	Net revenue (USD cents per share)	Highest price (USD cents per share)	Lowest price (USD cents per share)
Class I USD Hedged accumulation			
2014 ²	0.54	153.60	149.40
2015	0.96	161.50	152.30
2016	–	158.10+	150.90+
2017	–*	–	–

* to 31 January.

+ to 30 November.

¹ Class I EUR Hedged accumulation launched 17 April 2014

² Class I USD Hedged accumulation launched 24 April 2014

Past performance is not a guide to future performance.

Major holdings

as at 30/11/16	%
Novartis	1.94
DNB	1.72
Autoliv	1.70
KBC Bank	1.65
Roche Holdings	1.48
ABN AMRO	1.47
Nordea Bank	1.47
RELX	1.46
SEB 0.89% 15/02/2017	1.42
Standard Chartered Bank 1.07% 30/01/2017	1.42

Major holdings

as at 31/05/16	%
Bank of Nova Scotia 0.55% 08/08/2016	2.82
ING Bank 0.62% 11/07/2016	2.82
Commonwealth Bank of Australia 0.59% 18/07/2016	2.81
Credit Agricole 0.6% 30/06/2016	2.81
Standard Chartered Bank 0.74% 08/06/2016	2.81
Sumitomo Mitsui Banking Corporation 0.62% 07/06/2016	2.81
United Overseas Bank 0.63% 05/10/2016	2.81
Australia & New Zealand Banking 0.59% 15/08/2016	2.80
Credit Industriel et Commercial 0.68% 01/08/2016	2.80
Roche Holdings	2.58

Asset allocation	
as at 30/11/16	%
Netherlands	11.56
United Kingdom	11.35
Germany	10.70
Sweden	10.26
Switzerland	9.52
Denmark	7.63
France	5.51
Australia	4.24
Japan	4.23
Finland	2.87
United States	2.82
Belgium	2.08
Norway	1.72
Canada	1.41
Singapore	1.41
United Arab Emirates	1.41
Derivatives	0.92
Other net assets	10.36
Total net assets	100.00

Asset allocation	
as at 31/05/16	%
Netherlands	10.35
Germany	10.13
Canada	9.82
United Kingdom	9.30
Sweden	8.70
Switzerland	8.43
France	6.71
Japan	5.62
Australia	5.61
Denmark	4.94
United States	4.91
Singapore	2.81
United Arab Emirates	2.81
Finland	2.26
Norway	1.48
Belgium	0.56
Ireland	0.41
Derivatives	0.89
Other net assets	4.26
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson European Absolute Return 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:

Henderson Investment Funds Limited
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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.

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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 European 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. 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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