



# INTERIM SHORT REPORT

For the six months ended  
30 November 2016

**Henderson**  
GLOBAL INVESTORS

**Henderson UK Absolute Return Fund**

# Henderson UK Absolute Return Fund

## Short Report

For the six months ended 30 November 2016

### 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 take long and short positions primarily 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 or (iii) are a constituent of the FTSE All Share Index. Although all or 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.

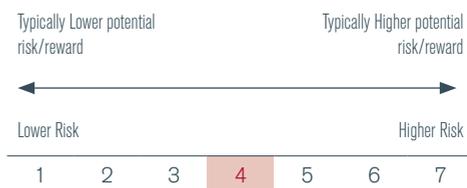
The fund may also invest at the Manager's discretion in other transferable securities, derivative instruments and collective investment schemes.

### 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 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.

**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.

## Investment review

The earlier half of the reporting period was dominated by the run-up and aftermath of the UK's referendum on European Union (EU) membership, which took place on 23 June. The UK's vote to leave the EU surprised markets, sending both the value of the pound and domestically focused 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 are 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.

The fund returned flat during the period. The most significant contributor to returns was a long position in software provider Micro Focus, following strong results and its acquisition of competitor Hewlett Packard Enterprise. The long position in plastic and packaging manufacturer RPC was also positive for fund performance, with the company reporting results ahead of expectations following its recent acquisitions. A long position in gaming company GVC also contributed to returns due to its promotion to the FTSE 250 Index and announcement that it would reinstate its dividend. The fund's long position in housebuilding company Taylor Wimpey detracted due to political rhetoric around a 'hard Brexit' impacting UK domestically focused shares. Overall, long positions within the energy sector made the most significant contribution to fund returns. Within the short book, a European-listed insurer, held as a hedge against our long positions in UK-listed insurers, was a detractor to overall fund performance. However, positions within financials overall produced positive returns.

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 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 period, 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.

Macro factors continue to dominate equity markets and the managers expect the volatility (sharper fluctuations in prices) seen in capital markets to continue. From a political footing, there will be the after effects of the French and then German general elections in 2017 to contend with, as well as the ongoing Brexit negotiations. The populist pressures that have been a feature of 2016's

## Investment review (continued)

elections and referendums across the developed world could continue. From an economic footing, inflationary pressures and the pace of normalising interest rates globally will prove crucial in the ultimate direction of capital markets.

This environment can provide opportunity on both the long and the short side of the strategy. Most notably, on the short side of the strategy, a

steepening yield curve environment may finally reverse the high valuations within certain 'bond proxy' equities, where share prices have previously benefited from a low growth, low interest rate environment. Opportunities to take short positions in consumer staples, security and healthcare may present themselves on a selective basis.

## 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 Apr 09- 30 Nov 16 %	
<b>Cumulative performance</b>					
Henderson UK Absolute Return Fund	0.0	1.7	36.7	53.5	
	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 %
<b>Discrete performance</b>					
Henderson UK Absolute Return Fund	1.7	6.5	5.4	16.5	2.9

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	153.29	153.51	(0.14)
Class I accumulation	160.29	160.08	0.13

\* 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

	OCF# 30/11/16 %	Performance fees 30/11/16 %	OCF# 31/05/16 %	Performance fees 31/05/16 %
Class A	1.70	0.01	1.70	0.85
Class I	1.06	0.10	1.06	0.98

The annualised ongoing charge figure (OCF) of the fund, 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)
<b>Class A accumulation</b>			
2012	–	116.71	110.87
2013	–	135.90	116.71
2014	–	142.20	134.50
2015	–	152.30	141.70
2016	–	154.70+	149.00+
2017	–*	–	–
<b>Class I accumulation</b>			
2012	0.53	119.33	112.43
2013	–	139.90	119.50
2014	0.34	147.20	138.60
2015	0.68	158.50	146.80
2016	0.41	161.70+	155.20+
2017	–*	–	–

\* to 31 January.

+ to 30 November.

## Revenue distribution

Share class	30/11/16 p	30/11/15 p
Class A accumulation	–	–
Class I accumulation	–	0.20

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.

**Past performance is not a guide to future performance.**

**Major holdings**

<b>as at 30/11/16</b>	<b>%</b>
RELX	4.98
Deutsche Global Liquidity Managed Sterling Fund Platinum Class	4.05
Standard Chartered Bank 0.4% 19/01/2017	2.20
Credit Agricole 0.46% 13/02/2017	1.84
Sumitomo Mitsui Banking 0.45% 02/03/2017	1.52
ING Bank 0.375% 05/12/2016	1.46
Nordea Bank 0.35% 06/02/2017	1.38
ABN Amro Bank 0.44% 15/03/2017	1.38
Bank of America 0.375% 10/01/2017	1.35
Nordea Bank 0.46% 05/12/2016	1.29

**Major holdings**

<b>as at 31/05/16</b>	<b>%</b>
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

<b>Asset allocation</b>	
<b>as at 30/11/16</b>	<b>%</b>
United Kingdom	19.00
Netherlands	9.26
France	7.61
Japan	5.92
United States	5.81
Switzerland	5.18
Australia	5.10
Sweden	3.89
Finland	3.48
Denmark	3.37
Singapore	3.37
United Arab Emirates	3.13
Canada	3.02
Germany	2.88
Norway	0.30
Ireland	0.12
Collective Investment Schemes	4.05
Derivatives	0.07
Other net assets	14.44
<b>Total net assets</b>	<b>100.00</b>

<b>Asset allocation</b>	
<b>as at 31/05/16</b>	<b>%</b>
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
<b>Total net assets</b>	<b>100.00</b>

Prior year comparative percentages have changed for some sectors due to reclassification within these sectors.

## Report and accounts

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

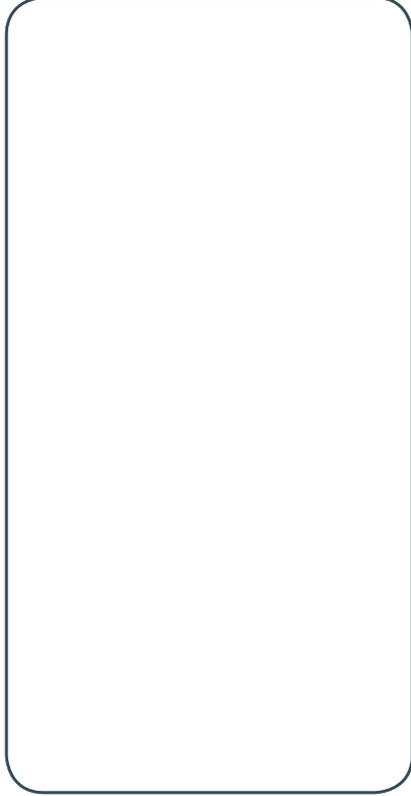
### Shareholder Administrator

International Financial Data Services (UK) Limited  
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Basildon, Essex SS15 5FS

# Contact us

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201 Bishopsgate, London EC2M 3AE



### 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 UK Absolute Return Fund at any time by logging on to [www.henderson.com](http://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](mailto: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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