



ANNUAL SHORT REPORT

For the year ended
31 May 2017

Janus Henderson
— INVESTORS —

Henderson European Absolute Return Fund

Henderson European Absolute Return Fund

Short Report

For the year ended 31 May 2017

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.

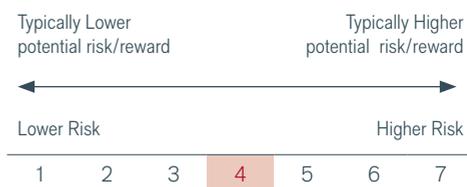
The fund may also invest at the Manager's discretion in other transferable securities, derivative instruments and collective investment schemes.

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 (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 the 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.

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

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

Investment review

Equity markets have continued their 'wall of worry' climb over the year. The wall is amply demonstrated by the considerable political noise that continues to command the attention of the media at large as well as the usual financial commentariat. Thus, we have seen perceived risk travel from Brexit via Donald Trump to European elections. We continue to ignore much of this.

Having entered 2017 believing that the world had shifted from a growth to a value market, we note that European equities have fared well versus their US counterparts since the presidential election. With the fall in bund yields (prices move inversely to yields), growth stocks have recently resumed their outperformance versus value, although, happily, stock dispersion has returned. In general, equities continue to be sensitive to bond yield gyrations and associated inflation expectations. Indeed, this is at the heart of the continuing tension between growth and value stocks. In the former camp, we detect that a number of mid-caps in particular look stretched.

Over the year to 31 May 2017, the fund's net asset value rose by 7.5% (Retail Class, Acc GBP).

On a gross basis, the long book contributed approximately 12.4% while the short book detracted by 2.9%. The financials and industrials sectors were the main contributors to performance on the long side. However, on the short book, the consumer discretionary sector lagged and our index futures hedges, used as a liquid hedging tool, detracted from performance.

On the long book, the top contributors at a stock level were banks Nordea Bank, DNB and KBC. Since August 2016, we have increasingly positioned the fund for a better inflationary outlook. As we moved into 2017, we believed that the most important sector was something we had not liked for the past decade – financials. We believe that 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 once again investable. This proved to be a timely move, with European financials, specifically banks, the best performing part of the market overall during the second half of 2016. We added positions in ABNAmro, BNP Paribas, Danske Bank, ING, KBC, Société Générale and Unicredit. At the end of the fiscal year, the financials sector is the fund's largest net sector allocation.

Investment review (continued)

In the industrials sector, Volvo and Trelleborg were winning positions, in addition to low cost carrier Ryanair, which we added in the belief that there will be a consolidation of the short haul European airline market, where Ryanair will be a major beneficiary in terms of value creation.

On the short side, there were no significant contributors over the year. The main laggards were from the consumer discretionary sector, as the widespread rally in the high-beta auto sector and the Italian market hurt our short auto manufacturer positions.

Since our decision to favour the healthcare industry in the spring of 2010, it has yielded ample reward. However, the past year has seen it stall. Ahead of the US election, we reduced our healthcare weighting; however, our analysis tells us that despite a tougher pricing environment, those companies discovering and launching drugs that meet unmet clinical needs will secure their patents, pricing and future. Thus, since spring 2017, we have begun to increase our holdings in the healthcare sector after a period of underperformance. Bayer continued to perform relatively poorly after our disposal in the second quarter of 2016. Moving into 2017, however, its undemanding valuation in the sector, and our move to tilt our portfolios to value, warranted its reintroduction. From the same sector, we increased our weightings in GlaxoSmithKline, Grifols and Novo Nordisk.

Elsewhere, with the exit from lighting now underway, Philips finally appears to be serious about its transformation into a more focused, health-centric company. While we would like to see management streamline the business further, we see enough to warrant the initiation of a position. In anticipation of

continuing global defence spending, we introduced aerospace manufacturer BAE Systems; consumer staples names Heineken and Imperial Brands were also added. On the short side, as government intervention risk in the UK power retail market reappeared, we opened short positions in the UK utilities space. Over the course of the year, we took profit on our long positions in Adidas, ISS, Smurfit Kappa and Geberit, and disposed of London Stock Exchange, Vinci and Sanofi.

In terms of positioning, we remain biased on the long side towards the more cyclical areas of the market. Our gross and net holdings have gradually increased and at the end of the fiscal year stood at around 73% and 102%, respectively.

The fund utilises derivatives for investment purposes, and seeks to hedge against fluctuations in the relative values of its positions as a result of changes in exchange rates, interest rates, equity prices and levels of other interest rates and prices of other securities. Such hedging transactions may not always achieve the intended effect and can also limit potential gains.

Markets could see some short term consolidation after a respectable year to date performance, and as we enter the summer holiday season. There is a clear valuation gap between Europe and the US, but, within Europe, growth stocks continue to command a significant premium to their value counterparts. We continue to expect that a stronger economy and corporates will feed through to inflation and benefit the value end of the market.

While Europe continues to climb its political wall of worry, we must also monitor the political and economic risks from the US and Asia, to assess whether they could derail our thesis on Europe.

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 European Absolute Return Fund	7.5	(4.2)	5.4	18.2	18.0

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	1.72	0.82	1.72	–
Class I	0.86	1.30	0.87	–
Class I EUR Hedged	0.87	1.01	0.85	–
Class I USD Hedged	0.87	1.21	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).

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	154.02	166.72	152.31	160.61	164.68	156.45
Return before operating charges*	13.14	(10.01)	19.07	16.05	(2.66)	12.55
Operating charges	(2.67)	(2.69)	(2.63)	(1.40)	(1.41)	(1.36)
Operating charges – performance fees	(1.28)	-	(2.03)	(2.12)	-	(2.96)
Return after operating charges*	9.19	(12.70)	14.41	12.53	(4.07)	8.23
Distributions on accumulation shares	(0.23)	-	-	(1.84)	(0.53)	(1.02)
Retained distributions on accumulation shares	0.23	-	-	1.84	0.53	1.02
Closing net asset value per share	163.21	154.02	166.72	173.14	160.61	164.68
* after direct transaction costs of:	0.40	0.51	0.98	0.42	0.53	1.01
Performance						
Return after charges	5.97%	(7.62%)	9.46%	7.80%	(2.47%)	5.26%
Other information						
Closing net asset value (£000s)	4,987	5,680	10,179	75,076	61,898	75,733
Closing number of shares	3,055,375	3,687,859	6,105,718	43,361,717	38,539,185	45,988,754
Operating charges	1.72%	1.72%	1.70%	0.86%	0.87%	0.85%
Operating charges – performance fees	0.82%	-	1.31%	1.30%	-	1.85%
Direct transaction costs	0.26%	0.33%	0.63%	0.26%	0.33%	0.63%
Prices						
Highest share price (pence)	166.10	162.00	161.30	174.20	167.60	166.60
Lowest share price (pence)	149.30	152.10	150.20	156.20	158.60	154.70

Comparative tables (continued)

	Class I EUR Hedged accumulation			Class I USD Hedged 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	118.41	114.84	123.86	106.23	104.01	90.16
Return before operating charges*	28.76	4.54	(6.17)	26.27	3.10	16.01
Operating charges	(1.16)	(0.97)	(1.02)	(1.07)	(0.88)	(0.82)
Operating charges – performance fees	(1.35)	-	(1.83)	(1.49)	-	(1.34)
Return after operating charges*	26.25	3.57	(9.02)	23.71	2.22	13.85
Distributions on accumulation shares	(1.55)	-	(0.74)	(1.33)	-	(0.63)
Retained distributions on accumulation shares	1.55	-	0.74	1.33	-	0.63
Closing net asset value per share	144.66	118.41	114.84	129.94	106.23	104.01
* after direct transaction costs of:	0.35	0.37	0.75	0.32	0.34	0.61
Performance						
Return after charges	22.17%	3.11%	(7.28%)	22.32%	2.13%	15.36%
Other information						
Closing net asset value (£000s)	4,459	3,340	22,072	388	357	8,302
Closing number of shares	3,082,437	2,820,753	19,218,636	298,818	336,373	7,981,969
Operating charges	0.87%	0.85%	0.86%	0.87%	0.85%	0.85%
Operating charges – performance fees	1.01%	-	1.55%	1.21%	-	1.39%
Direct transaction costs	0.26%	0.33%	0.63%	0.26%	0.33%	0.63%
Prices						
	(EUR cents per share)	(EUR cents per share)	(EUR cents per share)	(USD cents per share)	(USD cents per share)	(USD cents per share)
Highest share price	167.10	162.50	161.70	168.70	161.50	160.60
Lowest share price	150.10	152.90	150.40	150.90	152.50	149.40

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.

Hedged share classes

Class I EUR Hedged accumulation and Class I USD Hedged accumulation are hedged share classes. Hedged share classes allow the ACD to use currency hedging transactions to reduce the effect of fluctuations in the rate of exchange between the currency of share in those classes and Sterling which is the base currency of the fund.

Past performance is not a guide to future performance.

Major holdings

as at 2017	%
Bayer	2.97
Roche Holdings	2.73
Citibank 0.24% 04/08/2017	2.35
Rabobank Nederland 0.50% 08/06/2017	2.35
Toronto-Dominion Bank 0.25% 30/06/2017	2.35
SAP	2.23
Continental	2.15
Henkel KGaA Vorzug Non-Voting Preference	2.12
Novo Nordisk 'B'	1.86
Nordea Bank	1.80

Major holdings

as at 2016	%
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 2017	%
Germany	19.74
Netherlands	12.00
Sweden	10.63
United Kingdom	9.51
Switzerland	7.18
France	7.03
Canada	5.89
United States	4.71
Denmark	4.64
Finland	2.82
Japan	2.36
Belgium	2.24
Australia	1.18
Singapore	1.18
Derivatives	(1.42)
Other net assets	10.31
Total net assets	100.00

Asset allocation	
as at 2016	%
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 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
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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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Shareholder Administrator

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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 European 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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