



# INTERIM SHORT REPORT

For the six months ended  
28 February 2017

**Henderson**  
GLOBAL INVESTORS

**Henderson European Growth Fund**

# Henderson European Growth Fund

## Short Report

For the six months ended 28 February 2017

### Investment Fund Manager

Simon Rowe

### Investment objective and policy

To achieve long-term capital growth. The fund will invest principally in the securities of European companies. In addition to ordinary shares, the fund may also invest in preference shares, debt securities convertible into ordinary stocks and shares, money-market instruments and deposits. The fund may also invest outside of Europe if the investment adviser believes that it is in the interest of the fund.

### Risk and reward profile

The fund currently has 4 types of share class in issue: A accumulation, I accumulation, S income and Z accumulation.

The risk and reward profile is the same for each type of share class and 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 and down. When you sell your shares, they may be worth less than what 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 5 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.

**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 Warnings" section of the fund's prospectus.

The risk rating has changed from 6 to 5 in the period for all share classes.

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

## Investment review

After good performance in the first half of 2016, the Henderson European Growth Fund underperformed in the six months to February 2017, returning 5.2% against a gain of 9.5% for its benchmark. In terms of sectors, our industrial holdings, where we are overweight, were good contributors, as investors anticipated an uptick in activity and investment in the US in the wake of Trump's electoral victory. Those gains were offset by a sector rotation in the market away from defensive growth (where we have several holdings) and into value and in particular banks, which performed strongly in this period (after poor performance in the first half of 2016). Our largest holdings in banks, ING and Nordea, both rose strongly (up 15% and 26%, respectively). We also added Danske bank to the portfolio. Fund performance was also held back by our underweight position in healthcare, which bounced strongly after Trump's victory, celebrating the defeat of Hillary Clinton and her price-cutting plans.

At an individual stock level, we had several notable successes, including French services group SPIE, which rose 32% after announcing a well-received acquisition in Germany. Two portfolio companies, French aerospace group Zodiac and vacuum pump specialist Pfeiffer Vacuum (a recent purchase) received bids during the period. Two other recent purchases, Tarkett and tractor maker CNH, both rose strongly, rising 25% and 33%, respectively. Construction chemicals group Sika gained 20%. These gains were offset by setbacks at a number of companies that have been good long term contributors; these included DCC, Kerry and Givaudan, which suffered from the sectoral rotation into value. Consumer packaging group Huhtamaki (a strong performer early in 2015 and early 2016) slipped on disappointing trading numbers, and Novo Nordisk retreated on a warning of lower growth.

In terms of portfolio changes, we took partial profits in a number of high-quality companies that had performed well but where valuations had reached high levels: such holdings included DCC, Kerry, RELX, Fuchs, Huhtamaki, Wolters and Givaudan. We also took profits in a number of positions, such as Aalberts, Nestlé, Air Liquide Bayer and Sodexo. We opened positions in Michelin, which continues to improve returns through restructuring. We bought holdings in Carlsberg, another restructuring story, and Akzo Nobel, which looks inexpensive even though it is struggling to grow. We bought a holding in French-based flooring group Tarkett, which is consolidating the industry using managers from the car industry to improve performance at acquired companies. Another new position is SCOR, the smallest of the major reinsurers, which has an entrepreneurial management team and should benefit from any rise in interest rates. We also bought a holding in Royal Dutch Shell that we think will rerate (undergo a reassessment by the market) once it becomes clear that the dividend is sustainable. Additionally, we opened a number of smaller positions in companies where we have identified potential, including Scandinavian Tobacco, ferry group DFDS and sausage-casing maker Viscofan. We also topped up positions in CNH, Rockwool and Pfeiffer.

Although there are political risks posed by the forthcoming elections in the Netherlands, France and Germany, together with the start of the UK negotiating to leave the European Union, we are optimistic that the outcome of these elections might be less worrying than some commentators suggest. We believe the current situation will produce a number of undervalued self-help stories offering very attractive cash returns that are much higher than those on offer from bonds.

## Performance summary

Cumulative performance	Six months	One year	Five years	Since launch
	31 Aug 16- 28 Feb 17	29 Feb 16- 28 Feb 17	29 Feb 12- 28 Feb 17	20 Jul 01- 28 Feb 17
	%	%	%	%
Henderson European Growth Fund	5.2	23.7	85.0	318.0
FTSE World Europe ex UK Index	9.5	27.3	73.7	181.9

## Discrete performance

	29 Feb 16- 28 Feb 17	28 Feb 15- 29 Feb 16	28 Feb 14- 28 Feb 15	28 Feb 13- 28 Feb 14	29 Feb 12- 28 Feb 13
	%	%	%	%	%
	Henderson European Growth Fund	23.7	0.9	10.8	11.8

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 at close of business.

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* 28/02/17	Net asset value* 31/08/16	Net asset value % change
	p	p	
Class A accumulation	209.84	198.37	5.78
Class I accumulation	467.76	440.32	6.23
Class S income	281.01	263.53	6.63
Class Z accumulation	225.70	211.64	6.64

\*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 date
28 February, 31 August	31 October

## Ongoing charge figure

	28/02/17	31/08/16
	%	%
Class A	1.70	1.70
Class I	0.84	0.85
Class S	0.06	0.07
Class Z	0.06	0.07

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)
<b>Class A accumulation</b>			
2012	1.64	121.30	100.50
2013	1.49	150.10	121.70
2014	1.19	159.10	136.80
2015	0.83	179.70	154.10
2016	2.13	208.70	156.70
2017	-	210.70 +	202.70+
<b>Class I accumulation</b>			
2012	4.85	260.90	215.10
2013	5.32	325.70	261.70
2014	4.55	348.00	298.80
2015	5.01	394.10	337.30
2016	8.78	463.70	346.30
2017	-	469.50 +	451.10+
<b>Class S income</b>			
2012	5.38	167.22	142.10
2013	5.06	205.26	167.70
2014	5.11	216.04	184.60
2015	4.64	244.40	207.70
2016	6.72	277.70	211.60
2017	-	282.00 +	270.70+
<b>Class Z accumulation</b>			
2012	2.55	121.86	100.00
2013	4.06	153.30	122.21
2014	1.71	165.00	141.50
2015	3.01	187.40	160.00
2016	5.74	223.10	165.70
2017	-	226.50 +	217.40+

+ to 28 February

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

## Major holdings

as at 28/02/17	%
Sampo	3.98
RELX	3.71
Nordea Bank	3.38
ING	3.11
Elior	2.96
DCC	2.92
Wolters Kluwer	2.73
Continental	2.72
SPIE	2.70
Sika	2.56

## Asset allocation

as at 28/02/17	%
Industrials	34.21
Financials	16.90
Consumer Goods	15.06
Consumer Services	11.01
Basic Materials	10.25
Health Care	7.50
Oil & Gas	2.14
Other net assets	2.93
<b>Total net assets</b>	<b>100.00</b>

## Major holdings

as at 31/08/16	%
RELX	4.34
Sampo	3.99
Wolters Kluwer	3.86
DCC	3.84
Novo Nordisk 'B'	3.53
Sika	3.33
Continental	2.96
Elior	2.89
Huhtamaki	2.85
Novartis	2.79

## Asset allocation

as at 31/08/16	%
Industrials	35.67
Consumer Services	15.04
Basic Materials	14.39
Consumer Goods	13.11
Financials	11.77
Health Care	9.69
Other net assets	0.33
<b>Total net assets</b>	<b>100.00</b>

## Report and accounts

This document is a short report of the Henderson European Growth Fund for the six months ended 28 February 2017.

Copies of the annual and half yearly long and short form report and accounts 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.

## Risk warning

### 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

### Shareholder Administration

International Financial Data Services (UK) Limited  
IFDS House  
St Nicholas Lane  
Basildon  
Essex  
SS15 5FS

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.

### Depository

National Westminster Bank Plc  
135 Bishopsgate  
London  
EC2M 3UR

### Auditor

PricewaterhouseCoopers LLP  
141 Bothwell Street  
Glasgow  
G2 7EQ

## Further information

### Unitholder 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 units 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 e-mail at [support@henderson.com](mailto:support@henderson.com)

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

### Online valuations

You can value your Henderson European Growth Fund at any time by logging on to [www.henderson.com](http://www.henderson.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

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: 34V

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

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