



INTERIM SHORT REPORT

For the six months ended
28 February 2017

Henderson
GLOBAL INVESTORS

Henderson UK Alpha Fund

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Short Report

For the six months ended 28 February 2017

Investment Fund Managers

James Ross and Neil Hermon

Investment objective and policy

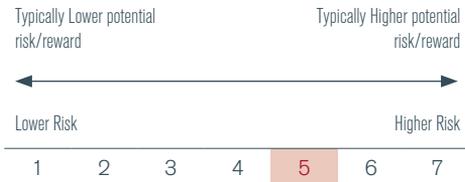
To achieve capital growth through a relatively concentrated portfolio. The fund will invest principally in the securities of UK companies. The fund may also invest in fixed interest securities, preference shares, debt securities convertible into ordinary stock, money market instruments and deposits. The fund may also invest outside of the UK 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, C accumulation, I accumulation 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.

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 calculation of the SRRI.

Investment review

The last six months proved a solid period for UK equities. The election of Donald Trump as US president led to strong rallies in financials and mining companies as investors' outlook for inflation increased while staples and bond proxies sold off. The US Federal Open Market Committee continued its programme of steady monetary tightening, and the Organization of the Petroleum Exporting Countries agreed a cut in oil production, causing oil and oil-related equities to rally. Sterling continued to weaken against the dollar, causing large-cap stocks with higher foreign sales to outperform mid-caps. In this environment, the fund underperformed the index, rising 5.9% against the FTSE All Share Total Return Index's return of 8.6%.

The fund's best performing positions included NMC, Melrose Industries and Paragon. Melrose Industries, a diversified engineering group specialising in turnaround situations, performed well after it significantly beat market expectations regarding the timing and extent of profit improvement it has achieved on its acquisition of Nortek, a US industrial company that specialises in air management and home technology. NMC, a Middle Eastern-based healthcare operation, is a core holding in the fund. Management have continued to deliver on their strategy of organic and inorganic growth. The company most recently announced the acquisition of Al Zahra hospital in Sharjah, the next Emirate state likely to introduce mandatory health insurance. Paragon, a specialist lender, performed well following the announcement of a strong set of full year results. Strong trading and low valuation made Paragon a key beneficiary of the recent reflation trade.

The fund's worst performing positions included NCC, Interserve and Laird. NCC, a global supplier of cyber security and risk mitigation, suffered from multiple profit warnings in its assurance division, which led to the dismissal of the CEO. Its core escrow business was unaffected, and a strategic review is being undertaken. We continue to remain confident in the opportunities that the growing end markets provide this business and added to our position following the second warning, as we believe the market overreacted and significantly undervalued its stable and growing escrow business. Interserve is an international construction and support services group. Pressure on the stock arose from concerns around the impact of a national living wage on margins, exposure to oil-revenue-dependent Middle Eastern markets and substantial losses on three

waste-to-energy construction contracts. Company management came under severe pressure, and the CEO was replaced. Laird, a leader in global telematics and manufacturer of performance materials, suffered from a profit warning as a result of severe and unanticipated pricing pressure from its largest customer in its performance materials division. Shortly after the warning, we exited the position following concerns over further pricing pressure and an over-levered balance sheet.

During the period, we initiated positions in Burford Capital, Electra Private Equity, ITV and Rentokil. Burford Capital provides finance to the legal industry, a nascent market which is ripe for growth and provides uncorrelated returns. Electra Private Equity is a portfolio company that trades at a significant discount to book and where value will be realised through asset sales as the book is in run-off mode. ITV is a UK media company that undertakes broadcasting and production activities. We believe earnings estimates for ITV are overly pessimistic and that valuation multiples are neither reflecting this nor the fact that its position as a content generator and a high-profile free-to-air broadcaster make it a strategic asset. Rentokil is a facilities management outsourcer specialising in the growing market of pest control. Here management are focussed on the consolidation of the US market, which should provide both top-line growth and scope to realise cost synergies. During the period we also re-initiated positions in Glencore and Rio Tinto; these reflect our belief that increasing infrastructure-led global growth in conjunction with attractive valuations should allow these shares to continue their strong performance.

We sold our holdings in Berendsen, esure, Senior and WPP. We disposed of Berendsen in September, as we believed the multiple was fully reflecting the growth prospects for the business and that at the margins, competition was increasing in its workwear business. We disposed of our position in esure as it approached fair value on a sum-of-the-parts basis following the proposed demerger of its price comparison website Go Compare. We exited our position in Senior, as cyclical and structural headwinds have led to weaker investment fundamentals with little prospect of improving trading momentum in the medium term. We disposed of our position in WPP, as following a strong re-rating over the past four years we now believe that the risks lie to the downside given the valuation and heightened risks of a major probe into the agency's space and media buying practices.

Over the next few months, the UK market will be adjusting to newsflow around the triggering of Article 50 (which will commence formal negotiations regarding the exit from the European Union) and details of its future relationship with Europe. In the meantime, sterling weakness continues to act as a shock absorber. In this environment, we are confident that the fund's

investments have good growth prospects and are appropriately capitalised. Corporate balance sheets remain strong, and we continue to see plenty of opportunities to invest in quality growth companies. It is our view that the UK market continues to provide attractive investment opportunities and represent reasonable valuation versus history and good value versus other asset classes.

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	9 Nov 01-28 Feb 17
	%	%	%	%
Henderson UK Alpha Fund	5.9	18.0	36.3	160.0
FTSE All Share Total Return Index	8.6	22.8	55.3	166.5

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 UK Alpha Fund	18.0	(1.5)	6.0	21.3	(8.7)

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.

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 p	Net asset value* 31/08/16 p	Net asset value % change
Class A accumulation	130.15	122.35	6.38
Class C accumulation	739.33	691.12	6.98
Class I accumulation	291.32	272.70	6.83
Class Z accumulation	169.73	158.11	7.35

*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

28 February, 31 August

Payment date

31 October

Ongoing charge figure

	28/02/17	31/08/16
	%	%
Class A	1.70	1.70
Class C	0.56	0.56
Class I	0.84	0.84
Class Z	0.05	0.06

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	0.36	98.78	78.04
2013	1.13	102.50	84.28
2014	1.01	106.10	93.65
2015	1.93	121.00	102.40
2016	1.57	129.00	100.80
2017	-	132.50 +	127.10+
Class C accumulation			
2012	7.30	530.40	420.50
2013	63.01	562.00	458.70
2014	5.45	586.00	517.90
2015	17.71	673.80	567.70
2016	16.42	729.30	565.80
2017	-	752.10 +	721.40+
Class I accumulation			
2012	2.31	212.00	167.80
2013	3.84	230.50	182.70
2014	3.25	232.30	205.40
2015	5.16	266.80	225.10
2016	5.15	287.70	223.60
2017	-	296.40 +	284.30+
Class Z accumulation			
2012	2.02	116.70	94.25
2013	1.16	127.00	103.30
2014	5.54	133.10	117.50
2015	3.31	153.30	129.00
2016	1,752.69	167.10	129.20
2017	-	172.60 +	165.50+

Performance record (continued)

Calendar year	Net revenue (Euro cents per share)	Highest price (Euro cents per share)	Lowest price (Euro cents per share)
Class A Euro accumulation			
2012	1.27	413.00	338.00
2013 ¹	-	368.00	345.00
Class I Euro accumulation			
2012	11.77	665.90	545.00
2013 ¹	-	601.38	564.51

+ to 28 February

¹ Closed 5 April 2013

Past performance is not a guide to future performance

Major holdings

as at 28/02/17	%
Royal Dutch Shell 'B'	7.70
NMC Health	4.44
HSBC Holdings	3.63
Melrose Industries	3.44
John Laing	3.37
Prudential	2.98
Imperial Brands	2.81
Paragon	2.78
Micro Focus International	2.74
Rio Tinto	2.68

Asset allocation

as at 28/02/17	%
Financials	28.32
Industrials	20.30
Consumer Services	14.20
Oil & Gas	8.96
Health Care	8.44
Basic Materials	8.12
Consumer Goods	5.98
Technology	4.98
Collective Investment Schemes	0.00
Other net assets	0.70
Total net assets	100.00

Major holdings

as at 31/08/16	%
Royal Dutch Shell 'B'	6.15
Vodafone	3.46
John Laing	3.21
NMC Health	3.21
HSBC Holdings	3.07
Imperial Brands	3.03
RELX	2.67
WPP	2.61
Prudential	2.59
Micro Focus International	2.57

Asset allocation

as at 31/08/16	%
Financials	23.66
Industrials	22.56
Consumer Services	19.19
Oil & Gas	7.34
Health Care	5.94
Technology	5.92
Consumer Goods	5.90
Telecommunications	5.13
Basic Materials	3.12
Collective Investment Schemes	0.37
Other net assets	0.87
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson UK Alpha 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 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
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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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SS15 5FS

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.

Depositary

National Westminster Bank Plc
135 Bishopsgate
London
EC2M 3UR

Auditor

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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

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

Online valuations

You can value your Henderson UK Alpha Fund at any time by logging on to 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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