



ANNUAL SHORT REPORT

For the year ended
30 September 2016

Henderson
GLOBAL INVESTORS

Henderson Global Financials Fund

Henderson Global Financials Fund

Short Report

For the year ended 30 September 2016

Investment Fund Manager

Henderson Global Equities Team

Investment objective and policy

To achieve long term capital growth. The fund will invest principally in the securities of financial services companies both in the UK and internationally. In addition to ordinary shares, the fund may also invest in fixed interest securities, preference shares, debt securities convertible into ordinary stock, money market instruments and deposits.

Risk and reward profile

The fund currently has 5 types of shares in issue; A (accumulation & income), A Euro accumulation, I accumulation and A US Dollar accumulation. Each 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 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 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:

- As a category shares are, in general, more volatile than either bonds or money market instruments
- 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 which could amplify everyday risk and trigger other risks such as:

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.

Focus risk The fund's value may fall where it has concentrated exposure to an issuer or type of security that is heavily affected by an adverse event.

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.

There have been no changes to the risk rating in the year.

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

The full list of the fund's risks are contained in the "Risk Warnings" section of the fund's prospectus.

Investment review

The fund had a solid year in terms of absolute investment returns, with a 16.0% gain over the past 12 months. However, this failed to keep up with the wider index, which returned 21.5%. It was a difficult year, as the sector had to contend with the disappointing pace of interest rate increases by the US Federal Reserve (Fed), fears of a recession

induced by a collapsing oil price and the unhelpful actions of the Bank of Japan (BoJ). Importantly, though, it appears that after four painful years, we are seeing signs of positive government and economic change within emerging markets.

The key driver of the fund's underperformance was our caution with regards to the long-term prospects for a number of Western banks. The combination of valuations being at long-term historical averages, with returns that are markedly lower as regulators require higher capital ratios, is in our view an unattractive combination for long-term capital appreciation. This view has served us well for most of the year, but the recent enthusiasm generated by the BoJ to attempt to steepen the yield curve and signs that the Fed will end the year by raising rates have prompted an enthusiasm for bank stocks, which we do not feel is justified by either the valuation or the level of returns that most of these businesses can generate over the longer term.

Strong gains for the fund in the real estate investment sector offset this underperformance. Quantitative easing (liquidity measures) by numerous central banks resulted in more than \$10trn dollars of government-backed fixed income assets reaching negative yields. This hurts banks that generate net interest income based on loan rates referenced to local and international fixed income benchmarks, while also increasing the net asset value of property assets when supply and demand are balanced. The fund's largest weighting by industry was an overweight towards US real estate investment trusts, which was the strongest industry within the financials sector in the third quarter. Regency Centers, Brandywine Realty Trust, Realty Income, Federal Realty Investment Trust and American Tower all contributed to performance this year.

We remained underweight financial assets domiciled in the UK and benefited from the depreciation of sterling and the avoidance of poor stock performance from Lloyds Bank and British Land. Despite the weakness in sterling this year, we maintained our preference for non-sterling-denominated assets.

Uncertainty related to the nature of the UK's trading relationship with Europe is likely to delay investment decisions by corporations and pressure financial institutions because of their holdings in predominantly real estate related assets.

Conversely, we believe that we will be able to take advantage of better risk-adjusted pricing that is occurring within the Brazilian banking sector. The economy appears to be in a trough instead, and the changing political environment and weak public sector banks should allow private sector banks such as Itau Unibanco to retake market share at attractive lending spreads. These improving fundamentals are also occurring at attractive valuations, with Itau Unibanco and Bradesco both valued around 10 times next year's earnings when they should be able to grow their profits by around 20% per annum over the next two to three years. European banks that have lower returns and significantly lower profit growth are valued similarly.

Looking forward, we are still relatively defensively positioned but feel this is appropriate, as we appear to be entering the later stages of the credit cycle. The fund has a position in Goldman Sachs, which we believe is one of the few investment banks that can maintain and protect shareholders' equity through a cycle (the investment banking sector tends to be highly cyclical). We are avoiding Royal Bank of Scotland and Deutsche Bank at this time. With some signs that there are credit issues brewing in the US subprime auto space and that problems within the Chinese banking sector have been brushed over for a period, but not indefinitely, we believe that the higher-quality businesses which we hold will serve the fund well over the longer term.

As bottom-up stock pickers, we remain confident in our potential to add value in most market environments, measured over a two- to three-year period. Markets are invariably inefficient in such changing times. We believe this should create opportunities for us to find misvalued stocks for the fund.

Performance summary

	30 Sep 15- 30 Sep 16 %	30 Sep 14- 30 Sep 15 %	30 Sep 13- 30 Sep 14 %	30 Sep 12- 30 Sep 13 %	30 Sep 11- 30 Sep 12 %
Henderson Global Financials Fund	16.0	(2.8)	9.2	30.3	13.0
FTSE World Financials Total Return Index	21.5	0.4	9.9	26.6	20.3

Source: Morningstar, bid to bid, net revenue reinvested, net of fees, GBP, based on class A accumulation.

Figures in brackets are negative.

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.

Fund facts

Accounting dates

31 March, 30 September

Payment dates

31 May*, 30 November*, 31 January**

* Only applies to Class A income

** All classes except Class A income

Ongoing charge figure

	2016 %	2015 %
Class A	1.72	1.71
Class I	1.09	1.08
Class A Euro	1.72	1.71
Class A US Dollar	1.72	1.71

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).

Comparative tables

	Class A accumulation			Class I accumulation		
	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)
Change in net assets per share						
Opening net asset value per share	289.32	294.16	269.14	326.87	330.21	300.20
Return before operating charges*	50.28	0.43	29.92	57.14	0.42	33.49
Operating charges	(5.18)	(5.27)	(4.90)	(3.72)	(3.76)	(3.48)
Return after operating charges*	45.10	(4.84)	25.02	53.42	(3.34)	30.01
Distributions on accumulation shares	(2.66)	(2.49)	(2.85)	(5.00)	(4.17)	(3.72)
Retained distributions on accumulation shares	2.66	2.49	2.85	5.00	4.17	3.72
Closing net asset value per share	334.42	289.32	294.16	380.29	326.87	330.21
* after direct transaction costs of:	0.82	0.16	0.19	0.93	0.18	0.21
Performance						
Return after charges	15.59%	(1.65%)	9.30%	16.34%	(1.01%)	10.00%
Other information						
Closing net asset value (£000s)	37,866	46,017	56,602	16,659	8,502	6,509
Closing number of shares	11,322,900	15,905,404	19,241,684	4,380,714	2,600,961	1,971,220
Operating charges	1.72%	1.71%	1.71%	1.09%	1.08%	1.08%
Direct transaction costs	0.27%	0.05%	0.07%	0.27%	0.05%	0.07%
Prices						
Highest share price (pence)	340.10	330.60	304.50	386.70	372.40	341.70
Lowest share price (pence)	256.40	276.10	270.00	290.40	310.00	301.20

Past performance is not a guide to future performance

Comparative tables (continued)

	Class A income		
	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)
Change in net assets per share			
Opening net asset value per share	53.16	55.37	51.89
Return before operating charges*	9.11	0.10	5.77
Operating charges	(0.95)	(0.99)	(0.94)
Return after operating charges*	8.16	(0.89)	4.83
Distributions on income shares	(1.25)	(1.32)	(1.35)
Closing net asset value per share	60.07	53.16	55.37
* after direct transaction costs of:	0.15	0.03	0.04
Performance			
Return after charges	15.35%	(1.61%)	9.31%
Other information			
Closing net asset value (£000s)	486	555	667
Closing number of shares	809,290	1,044,466	1,204,576
Operating charges	1.72%	1.71%	1.71%
Direct transaction costs	0.27%	0.05%	0.07%
Prices			
Highest share price (pence)	61.90	61.74	58.22
Lowest share price (pence)	47.12	51.97	52.08

Comparative tables (continued)

	Class A Euro accumulation		
	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)
Change in net assets per share			
Opening net asset value per share	411.40	418.24	382.60
Return before operating charges*	71.54	0.50	42.58
Operating charges	(7.37)	(7.34)	(6.94)
Return after operating charges*	64.17	(6.84)	35.64
Distributions on accumulation shares	(3.83)	-	(4.83)
Retained distributions on accumulation shares	3.83	-	4.83
Closing net asset value per share	475.57	411.40	418.24
* after direct transaction costs of:	1.17	0.22	0.27
Performance			
Return after charges	15.60%	(1.64%)	9.32%
Other information			
Closing net asset value (£000s)	75	69	589
Closing number of shares	15,808	16,888	140,760
Operating charges	1.72%	1.71%	1.71%
Direct transaction costs	0.27%	0.05%	0.07%
Prices			
Highest share price (Euro cent)	631.12	660.64	546.24
Lowest share price (Euro cent)	465.88	492.41	458.36

Past performance is not a guide to future performance

Comparative tables (continued)

	Class A US Dollar accumulation		
	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)
Change in net assets per share			
Opening net asset value per share	328.59	334.09	305.70
Return before operating charges*	57.14	0.50	33.97
Operating charges	(5.89)	(6.00)	(5.58)
Return after operating charges*	51.25	(5.50)	28.39
Distributions on accumulation shares	(3.01)	(2.75)	(3.06)
Retained distributions on accumulation shares	3.01	2.75	3.06
Closing net asset value per share	379.84	328.59	334.09
* after direct transaction costs of:	0.94	0.18	0.22
Performance			
Return after charges	15.60%	(1.65%)	9.29%
Other information			
Closing net asset value (£000s)	1,852	1,597	1,734
Closing number of shares	487,436	485,911	519,106
Operating charges	1.72%	1.71%	1.71%
Direct transaction costs	0.27%	0.05%	0.07%
Prices			
Highest share price (USD cent)	535.42	577.81	562.99
Lowest share price (USD cent)	421.92	488.80	495.12

Performance values are at close of business and may differ from 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.

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Major holdings

as at 2016	%
American Tower	4.04
Citizens Financial	3.73
Standard Chartered	3.49
Market Axess	3.40
Fairfax Financial	3.19
First Republic Bank	3.17
AON	3.07
Vonovia	3.05
JP Morgan Chase Bank	3.04
Regency Centers	3.02

Asset allocation

as at 2016	%
United States	49.98
Brazil	8.00
Canada	5.88
Germany	5.42
United Kingdom	4.85
Japan	4.29
Australia	3.68
Austria	2.42
Indonesia	2.12
India	2.00
France	1.35
Peru	1.27
Malaysia	1.26
Russian Federation	1.06
South Korea	0.97
Spain	0.76
Poland	0.68
Sweden	0.59
Belgium	0.50
Hong Kong	0.12
Other net assets	2.80
Total net assets	100.00

Major holdings

as at 2015	%
JP Morgan Chase Bank	2.36
AON	2.02
Citizens Financial	2.02
Bank of America	1.99
Lloyds Banking	1.95
Sumitomo Mitsui Financial	1.81
Hartford Financial Services	1.79
American International	1.76
Goldman Sachs	1.75
Banco Santander	1.73

Asset allocation

as at 2015	%
United States	41.40
United Kingdom	9.63
Japan	9.53
Australia	5.09
Germany	4.52
Canada	4.31
France	3.27
Netherlands	2.45
Switzerland	2.24
China	2.11
Spain	1.73
Italy	1.59
Belgium	1.33
South Korea	1.30
Sweden	1.19
Austria	1.11
Ireland	1.08
Malaysia	1.02
Poland	1.02
Hong Kong	0.80
Indonesia	0.77
Russian Federation	0.69
Brazil	0.48
Other net assets	1.34
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson Global Financials Fund for the year ended 30 September 2016.

Copies of the annual and half yearly long form report and financial statements 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 year it covers and the results of those activities at the end of the year.

Issued by:

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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.

Auditor

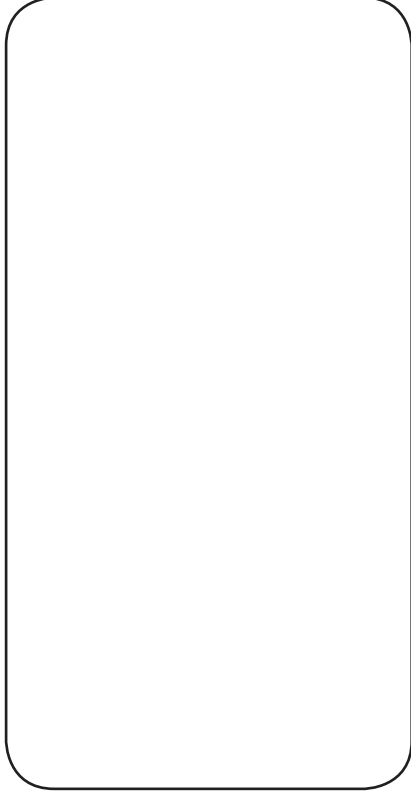
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Changes of address - regulatory requirements

FCA regulation requires us to send this report mailing to the address held on file on the accounting date of 30 September 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 Global Financials 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: 34V

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

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