



ANNUAL SHORT REPORT

For the year ended
31 January 2017

Henderson
GLOBAL INVESTORS

Henderson Diversified Alternatives Fund

Henderson Diversified Alternatives Fund

Short Report

For the year ended 31 January 2017

Investment Fund Manager

Henderson Multi-Asset Team

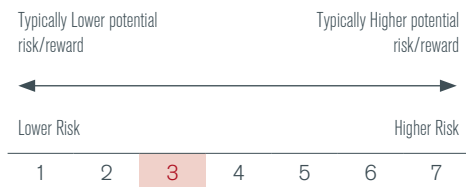
Investment objective and policy

To achieve long term capital growth. The fund will seek to achieve its objective by investing globally in a diverse portfolio of investments which gain exposure indirectly to alternative asset classes such as property, commodities and hedge funds. The fund will invest primarily in investment trusts and investment companies. The fund may also invest in collective investment schemes (both regulated and unregulated), exchange traded funds (ETFs), transferable securities, fixed interest securities, money market instruments, deposits, cash and near cash. Derivatives and forward transactions may be used for the purposes of Efficient Portfolio Management (EPM).

Risk and reward profile

The fund currently has 3 types of share class in issue: Y accumulation, Z accumulation and Z income.

The risk and reward profile of each type of share class 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 share class appears at 3 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 following risks apply to investments in the fund. These could be triggered or made worse by unusual market conditions or unpredictable market events.

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.

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.

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

Investment review

The fund generated a return of 16.0% during the year ending 31 January 2017. This compared with a return of 4.8% generated by the CPI + 3% benchmark.

Private equity was the most profitable sector for the fund during the year of review, contributing 8.2%. We continue to see private equity as an attractive investment class. We believe that an attractive exit environment, strong underlying company earnings and revenue growth, and conservative valuations all provide a supportive backdrop. The best performing holding within the sector was Riverstone Energy, which performed strongly as the oil price recovered throughout 2016. The position added 1.7% to performance.

The fund also benefited from an allocation to both traditional and renewable energy infrastructure assets. Renewable energy assets contributed 2.6% to performance, with The Renewables Infrastructure Group contributing 0.7% and Foresight Solar Fund adding 0.6%. Renewable energy performed strongly throughout the year, as power prices recovered due to supply outages, and as sterling depreciation pushed up the cost of imported power. Within our traditional infrastructure holdings, Sequoia Economic Infrastructure Fund performed strongly, contributing 0.6%. We continue to favour infrastructure assets because they provide a degree of inflation protection and continue to offer an attractive yield in a world where yield is difficult to find.

The fund's allocation to credit investments also performed strongly. In early 2016, default expectations picked up, which led to a fall in leveraged loan prices. Default expectations increased, primarily due to economic growth concerns. We increased our holdings in floating rate loans at attractive prices, and benefited throughout the year as loan prices recovered. Overall, the sector contributed 2.5% to performance.

All of our sectors contributed positively to performance during the year. The main detractor from performance was cash. Due to the significant overseas holdings in the fund, we hedged out some of our currency risk by buying sterling and selling foreign currency on a forward basis. As the value of sterling fell during the year, predominantly against the US dollar, our hedges detracted from performance. In total, currency hedges cost the fund 2.0%. We continue to see hedging our foreign currency holdings as attractive. We believe that currency volatility (sharper fluctuations in prices) will remain high and we believe that we are able to improve risk-adjusted return for the fund by keeping hedges in place.

During the year, we increased our allocation to renewable energy funds and reduced our allocation to traditional infrastructure assets. On a relative valuation basis, we believed renewable energy funds were more attractive. Our main concern over recent years for renewable energy funds was their vulnerability to a falling power price. As we observed power prices stabilising, we increased our holdings at the expense of traditional infrastructure assets.

As listed equity market valuations continued to increase, we reduced our market beta by reducing our private equity holdings. While we find private equity to be attractive on a relative basis, we feel that any listed market drawdown would harm the sector and potentially provide an attractive opportunity to once again increase our allocation.

During the year, we exited our investment in Custodian REIT. Despite recognising that the UK economy has remained robust since the result of the European Union referendum, we believe that UK growth may well slow over the coming years and regional property valuations could be impacted as a result.

We increased our allocation to hedge funds during the year, reflecting our wish to continue to have well diversified sources of return in the portfolio. We opened positions in Highbridge Multi Strategy Fund and Helium Selection Fund. The managers of both funds have outstanding records, generated with low correlation to traditional market returns.

Performance summary

	31 Jan 16- 31 Jan 17 %	31 Jan 15- 31 Jan 16 %	31 Jan 14- 31 Jan 15 %	22 Feb 13† - 31 Jan 14 %
Henderson Diversified Alternatives Fund	16.0	(1.2)	6.1	6.9
Consumer Price Index +3%	4.8	3.3	3.3	4.7

Source: Morningstar, bid to bid and net of fees as at 12 noon valuation point, based on performance of Class Y accumulation.
† Inception date

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.

Comparative table for the year ended 31 January 2017

	Class Y accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	111.84	113.40	106.78
Return before operating charges*	18.85	(0.88)	7.26
Operating charges	(0.76)	(0.68)	(0.64)
Return after operating charges*	18.09	(1.56)	6.62
Distributions on accumulation shares	(3.39)	(2.46)	(1.62)
Retained distributions on accumulation shares	3.39	2.46	1.62
Closing net asset value per share	129.93	111.84	113.40
* after direct transaction costs of:	0.11	0.06	0.12
Performance			
Return after charges	16.17%	(1.38%)	6.20%
Other information			
Closing net asset value (£000s)	50,050	40,014	47,065
Closing number of shares	38,519,659	35,778,832	41,505,004
Operating charges	0.63%	0.59%	0.58%
Direct transaction costs	0.09%	0.05%	0.11%
Prices			
Highest share price (pence)	130.00	117.30	113.40
Lowest share price (pence)	111.20	111.40	106.80

	Class Z accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	100.44	101.40	99.98 ¹
Return before operating charges*	16.98	(0.80)	1.47
Operating charges	(0.22)	(0.16)	(0.05)
Return after operating charges*	16.76	(0.96)	1.42
Distributions on accumulation shares	(3.38)	(2.10)	(0.13)
Retained distributions on accumulation shares	3.38	2.10	0.13
Closing net asset value per share	117.20	100.44	101.40
* after direct transaction costs of:	0.09	0.05	0.11
Performance			
Return after charges	16.69%	(0.95%)	1.42%
Other information			
Closing net asset value (£000s)	6,686	5,730	4,146
Closing number of shares	5,704,574	5,704,574	4,088,802
Operating charges	0.20%	0.16%	0.05%
Direct transaction costs	0.09%	0.05%	0.11%
Prices			
Highest share price (pence)	117.30	105.10	101.40
Lowest share price (pence)	99.93	100.00	98.88

¹ Class Z accumulation launched on 10 December 2014 and this is the first published price.

Comparative table (continued)

	2017 (pence per share)	Class Z income 2016 (pence per share)	2015 (pence per share)
Change in net assets per share			
Opening net asset value per share	98.22	101.40	99.98 ²
Return before operating charges*	16.68	(0.92)	1.60
Operating charges	(0.21)	(0.16)	(0.05)
Return after operating charges*	16.47	(1.08)	1.55
Distributions on income shares	(3.46)	(2.10)	(0.13)
Closing net asset value per share	111.23	98.22	101.40
* after direct transaction costs of:	0.09	0.05	0.11
Performance			
Return after charges	16.77%	(1.07%)	1.55%
Other information			
Closing net asset value (£000s)	11,471	10,130	2
Closing number of shares	10,313,556	10,313,556	1,500
Operating charges	0.20%	0.16%	0.05%
Direct transaction costs	0.09%	0.05%	0.11%
Prices			
Highest share price (pence)	114.70	104.90	101.40
Lowest share price (pence)	97.75	99.91	98.88

² Class Z income launched on 10 December 2014 and this is the first published price.

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.

Past performance is not a guide to future performance

Fund facts

Accounting dates

31 January, 31 July

Payment dates

31 May

Ongoing charge figure

	2017 %	2016 %
Class Y	0.63	0.59*
Class Z	0.20	0.16

The OCF includes a synthetic element of 0.13% (2016: 0.12%) to incorporate the OCF of underlying funds.

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).

This fund is a non-UCITS retail fund and we have adopted this disclosure to enable comparison across our fund range.

*Restated

Major holdings	
as at 2017	%
NextEnergy Solar Fund	3.52
Foresight Solar Fund	3.50
Highbridge Multi-Strategy Fund	3.34
BH Macro GBP	3.16
Greencoat UK Wind	3.11
Helium Selection S-EUR	3.02
Gold Bullion	3.00
HarbourVest Global Private Equity	2.97
UK Mortgages	2.96
Renewables Infrastructure	2.94

Major holdings	
as at 2016	%
Foresight Solar Fund	4.37
Renewables Infrastructure	4.31
International Public Partnership	4.27
Pantheon International Participations	3.80
GCP Student Living	3.71
Kames Capital Invest Equity Market Neutral Plus Fund	3.56
Standard Life European Private Investment Trust	3.45
Empiric Student Property	3.20
Melchior Selected European Absolute Return Fund	3.13
Boussard & Gavaudan	3.02

Asset allocation	
as at 2017	%
Hedge Funds	23.60
Fixed Interest	16.68
Private Equity	16.41
Renewable Energy	15.88
Infrastructure	10.51
Direct Commodities ex Timber	5.39
Property	2.75
Alternative	1.93
Derivatives	0.61
Other net assets	6.24
Total net assets	100.00

Asset allocation	
as at 2016	%
Hedge Funds	23.70
Private Equity	23.38
Fixed Interest	14.55
Renewable Energy	10.83
Infrastructure	10.37
Property	9.11
Direct Commodities ex Timber	4.89
Utilities	1.99
Alternative	0.50
Other net assets	0.68
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson Diversified Alternatives Fund for the year ended 31 January 2017.

Copies of the annual and half yearly long and short 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:

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 Administrator

International Financial Data Services (UK) Limited
IFDS House
St. Nicholas Lane
Basildon
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

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

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 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 Diversified Alternatives 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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