



# ANNUAL SHORT REPORT

For the year ended  
31 January 2017

**Henderson**  
GLOBAL INVESTORS

**Henderson Diversified Growth Fund**

# Henderson Diversified Growth Fund

## Short Report

For the year ended 31 January 2017

### Investment Fund Manager

Henderson Multi-Asset Team

### Investment objective and policy

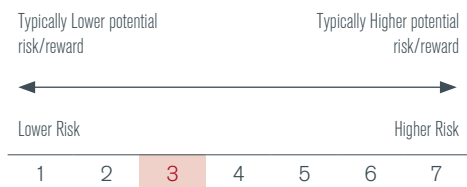
To achieve long term capital growth with some potential for income returns with lower than equity market volatility. The fund will invest predominantly in regulated collective investment schemes which may in turn invest in transferable securities, money market instruments and deposits. The fund may also invest in unregulated collective investment schemes which may include limited partnerships. Derivatives and forward transactions may be used by the fund for investment purposes to achieve asset allocation and for the purposes of efficient portfolio management. The fund may also invest directly in transferable securities, fixed income securities, money market instruments, deposits, cash and near cash.

### Risk and reward profile

The fund currently has 7 types of share class in issue;

A accumulation, K accumulation, K Euro hedged accumulation, K US Dollar hedged accumulation, W accumulation, Y accumulation, Z accumulation.

The risk and reward profile of each type of share 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 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.

**Collective investment scheme risk** The fund may invest in other types of collective investment schemes which can involve different risks to investing directly in the underlying assets. Such schemes may increase risk due to investment in risky assets such as property or commodities, restrictions on withdrawals, less strict regulation and use of derivatives. The value of your investment may fall as a result.

**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.

**Leverage risk** Leverage arises from entering into contracts or derivatives whose terms have the effect of magnifying an outcome, meaning profits and losses from 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 Warnings" section of the fund's prospectus.

The risk rating has changed from 4 to 3 in the year.

## Investment review

The Henderson Diversified Growth Fund returned 10.7% over the year to 31 January 2017, in an improving macroeconomic environment. The fund outperformed both its benchmark and target of 3m LIBOR and 3m LIBOR plus 4%, respectively, over the year. Longer-term performance is also robust, with the fund outperforming its target over all periods in the last five years.

With the global macro economy gathering significant momentum over the year, it is unsurprising that the fund's growth assets contributed most plentifully to investment returns. The fund's equity portfolio was the key driver, with positive returns distributed evenly across most of the major regions. In particular, US equities, buoyed by the strongest domestic growth environment of any major economy and positive post-election investor sentiment, were the largest single contributor. The US was closely followed by emerging markets, which experienced a renaissance over the review period after years of relative underperformance. Credit was also a success story, with a tactical investment in US high yield during its February 2016 lows making a material positive contribution, alongside a more structural allocation to global investment grade.

Few areas of the portfolio detracted from returns in a broadly positive year for both equity and fixed income assets. The one exception was the fund's allocation to gold, which suffered as investor sentiment improved and the outlook for real yields reversed. Furthermore, the fund's allocation to cash also served as a small drag on returns because of the underlying currency exposure.

The key changes to the portfolio over the year were broadly concerned with moving away from an environment of ever-greater monetary stimulus

and global deflation towards a more reflationary macroeconomic regime. Within the equity portfolio, this included rebuilding our emerging markets allocation after a sustained period of very little exposure. This was initially achieved through beta exposure (MSCI Emerging Markets future), before adding both a smart beta strategy (Acadian Emerging Market Managed Volatility) and a traditional active approach (Henderson Gartmore Emerging Markets Fund). Elsewhere, we took a more cyclical stance in our US equity portfolio, making a successful tactical trade in the Russell 2000 as well as switching our passive Japanese equity exposure away from the Nikkei towards the more cyclically composed TOPIX index future.

Within the fixed income portfolio, our long-held preference for inflation-linked assets prevailed for the majority of the year, with material positions held in UK inflation-linked bonds and US TIPS before we began to see some tactical value from a hedging perspective in UK nominals. Within credit, we continued to hold a sizable position in US investment grade and added tactical exposure in a well-timed trade in the iShares US Corporate Bond ETF. Further, we acknowledged the late-cycle nature of the credit market by shifting some exposure into the actively managed Henderson Global High Yield Bond.

Our outlook remains optimistic, with a broad reflationary tilt to our portfolios. We are relatively balanced in relation to short-term foreign exchange views, but we continue to hold a negative view of sterling, particularly versus the US dollar, over the medium term. As we look further into 2017, we are monitoring the political situation in Europe and, increasingly, the US. We believe that we will get an opportunity to add to our emerging markets exposure in coming months, as fears about a protectionist US and the stronger dollar are currently overshadowing a significant improvement in underlying macro momentum.

## Performance summary

	31 Jan 16- 31 Jan 17	31 Jan 15- 31 Jan 16	31 Jan 14- 31 Jan 15	31 Jan 13- 31 Jan 14	31 Jan 12- 31 Jan 13
	%	%	%	%	%
Henderson Diversified Growth Fund	10.7	(1.5)	6.8	5.2	7.5
3 Month Libor	0.5	0.6	0.5	0.5	0.8

Source: Morningstar, bid to bid and net of fees as at 12 noon valuation point, based on Class Z 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.

## Comparative tables

	Class A accumulation			Class W 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)
<b>Change in net assets per share</b>						
Opening net asset value per share	54.38	55.98	52.92	102.82	104.93	99.75 <sup>1</sup>
Return before operating charges*	6.30	(0.58)	4.06	11.81	(1.25)	6.04
Operating charges	(1.08)	(1.02)	(1.00)	(0.96)	(0.86)	(0.86)
Return after operating charges*	5.22	(1.60)	3.06	10.85	(2.11)	5.18
Distributions on accumulation shares	(0.27)	(0.01)	(0.15)	(1.45)	(0.91)	(1.09)
Retained distributions on accumulation shares	0.27	0.01	0.15	1.45	0.91	1.09
Closing net asset value per share	59.60	54.38	55.98	113.67	102.82	104.93
* after direct transaction costs of:	0.01	0.01	0.01	0.03	0.03	0.02
<b>Performance</b>						
Return after charges	9.60%	(2.86%)	5.78%	10.55%	(2.01%)	5.19%
<b>Other information</b>						
Closing net asset value (£000s)	4,949	3,938	22	2	2	2
Closing number of shares	8,303,246	7,242,451	39,284	1,500	1,500	1,500
Operating charges	1.88%	1.81%	1.83%	0.88%	0.81%	0.84%
Direct transaction costs	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
<b>Prices</b>						
Highest share price (pence)	60.47	58.66	56.24	115.30	110.20	105.40
Lowest share price (pence)	52.88	53.30	52.66	100.10	100.80	99.26

<sup>1</sup> Class W launched on 28 February 2014 and this is the first published price.

## Comparative tables (continued)

	Class Y accumulation			Class Z 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)
<b>Change in net assets per share</b>						
Opening net asset value per share	113.70	116.00	108.74	116.26	118.15	110.36
Return before operating charges*	12.97	(1.41)	8.15	13.17	(1.52)	8.18
Operating charges	(1.00)	(0.89)	(0.89)	(0.47)	(0.37)	(0.39)
Return after operating charges*	11.97	(2.30)	7.26	12.70	(1.89)	7.79
Distributions on accumulation shares	(1.62)	(1.06)	(0.81)	(2.21)	(1.59)	(1.75)
Retained distributions on accumulation shares	1.62	1.06	0.81	2.21	1.59	1.75
Closing net asset value per share	125.67	113.70	116.00	128.96	116.26	118.15
* after direct transaction costs of:	0.03	0.03	0.02	0.03	0.03	0.02
<b>Performance</b>						
Return after charges	10.53%	(1.98%)	6.68%	10.92%	(1.60%)	7.06%
<b>Other information</b>						
Closing net asset value (£000s)	29,370	26,957	27,691	189,218	190,252	208,005
Closing number of shares	23,370,788	23,707,870	23,872,008	146,720,836	163,666,356	176,046,148
Operating charges	0.83%	0.76%	0.79%	0.38%	0.31%	0.34%
Direct transaction costs	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
<b>Prices</b>						
Highest share price (pence)	127.50	121.70	116.50	130.80	124.10	118.70
Lowest share price (pence)	110.50	111.40	108.20	113.00	113.90	109.80

## Comparative tables (continued)

	Class K accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	1,123.18	1,157.57	1,095.35
Return before operating charges*	150.43	6.63	104.57
Operating charges	(20.04)	(18.77)	(18.47)
Operating charges - Performance fees	(26.00)	(22.25)	(23.88)
Return after operating charges*	104.39	(34.39)	62.22
Distributions on accumulation shares	(2.46)	-	(0.52)
Retained distributions on accumulation shares	2.46	-	0.52
Closing net asset value per share	1,227.57	1,123.18	1,157.57
* after direct transaction costs of:	0.29	0.28	0.18
<b>Performance</b>			
Return after charges	9.29%	(2.97%)	5.68%
<b>Other information</b>			
Closing net asset value (£000s)	318	142	132
Closing number of shares	25,914	12,669	11,361
Operating charges	1.68%	1.61%	1.64%
Operating charges - Performance fees	2.18%	1.92%	2.12%
Direct transaction costs	0.02%	0.02%	0.02%
<b>Prices</b>			
Highest share price (pence)	1,244.00	1,206.00	1,162.00
Lowest share price (pence)	1,092.00	1,101.00	1,090.00

## Comparative tables (continued)

### Class I US Dollar hedged accumulation<sup>2</sup>

	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>		
Opening net asset value per share	701.15	604.06
Return before operating charges*	45.70	103.84
Operating charges	(7.50)	(6.75)
Return after operating charges*	38.20	97.09
Distributions on accumulation shares	-	(6.83)
Retained distributions on accumulation shares	-	6.83
Final cancellation	(739.35)	-
Closing net asset value per share	-	701.15
* after direct transaction costs of:	0.17	0.10
<b>Performance</b>		
Return after charges	5.45%	16.07%
<b>Other information</b>		
Closing net asset value (£000s)	-	9,834
Closing number of shares	-	1,402,575
Operating charges	1.05%	1.08%
Direct transaction costs	0.02%	0.02%
<b>Prices</b>		
Highest share price (USD cent)	1,105.00 <sup>3</sup>	1,058.16
Lowest share price (USD cent)	1,054.00 <sup>3</sup>	987.89

<sup>2</sup> Class I US Dollar hedged accumulation closed on 16 April 2015

<sup>3</sup> to 16 April 2015

## Comparative tables (continued)

### Class K Euro hedged accumulation

	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	839.51	857.92	890.10
Return before operating charges*	219.44	10.56	(0.17)
Operating charges	(16.08)	(13.29)	(14.53)
Operating charges - Performance fees	(18.86)	(15.68)	(17.48)
Return after operating charges*	184.50	(18.41)	(32.18)
Distributions on accumulation shares	(4.24)	-	(1.77)
Retained distributions on accumulation shares	4.24	-	1.77
Closing net asset value per share	1,024.01	839.51	857.92
* after direct transaction costs of:	0.23	0.20	0.14
<b>Performance</b>			
Return after charges	21.98%	(2.15%)	(3.62%)
<b>Other information</b>			
Closing net asset value (£000s)	160	133	138
Closing number of shares	15,662	15,816	16,090
Operating charges	1.68%	1.61%	1.63%
Operating charges - Performance fees	1.97%	1.90%	1.96%
Direct transaction costs	0.02%	0.02%	0.02%
<b>Prices</b>			
Highest share price (Euro cent)	1,209.55	1,187.99	1,146.34
Lowest share price (Euro cent)	1,070.20	1,078.83	1,079.37



## Comparative tables (continued)

	Class K US Dollar hedged accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	780.60	762.54	661.97
Return before operating charges*	217.15	44.50	125.41
Operating charges	(14.71)	(12.09)	(11.12)
Operating charges - Performance fees	(19.35)	(14.35)	(13.72)
Return after operating charges*	183.09	18.06	100.57
Distributions on accumulation shares	(2.26)	-	(1.53)
Retained distributions on accumulation shares	2.26	-	1.53
Closing net asset value per share	963.69	780.60	762.54
* after direct transaction costs of:	0.21	0.18	0.11
<b>Performance</b>			
Return after charges	23.46%	2.37%	15.19%
<b>Other information</b>			
Closing net asset value (£000s)	382	338	351
Closing number of shares	39,675	43,252	46,061
Operating charges	1.68%	1.61%	1.63%
Operating charges - Performance fees	2.21%	1.91%	2.01%
Direct transaction costs	0.02%	0.02%	0.02%
<b>Prices</b>			
Highest share price (USD cent)	1,228.79	1,192.34	1,149.62
Lowest share price (USD cent)	1,076.05	1,085.08	1,082.54

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 July, 31 January

### Payment dates

31 May

### Ongoing charge figure

	2017 %	2017 %	2016 %	2016 %
Class A	1.88	n/a	1.81	n/a
Class K	1.68	2.18*	1.61	1.92*
Class W	0.88	n/a	0.81	n/a
Class Y	0.83	n/a	0.76	n/a
Class Z	0.38	n/a	0.31	n/a
Class K Euro hedged	1.68	1.97*	1.61	1.90*
Class I US Dollar hedged <sup>1</sup>	n/a	n/a	1.05	n/a
Class K US Dollar hedged	1.68	2.21*	1.61	1.91*

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 includes a synthetic element of 0.28% (2016: 0.22%) to incorporate the OCF of underlying funds.

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 used this disclosure to enable comparison across our fund range.

\* Including performance fees

<sup>1</sup> Class I US Dollar hedged accumulation closed on 16 April 2015

## Major holdings

as at 2017	%
iShares USD Corporate Bond UCITS ETF	4.50
Vanguard S&P 500 ETF	4.47
Henderson Horizon Total Return Bond Fund+	4.19
UK Treasury 0.125% Index-Linked 22/03/2024	3.88
Henderson European Selected Opportunities Fund Class I Accumulation+	3.71
Henderson Secured Loans Fund Class Z Gross Accumulation+	3.65
Henderson Institutional High Alpha UK Equity Fund Class Z Accumulation+	3.60
Henderson Gartmore Emerging Markets Fund+	3.54
Montanaro European Income Fund Sterling Distribution	3.26
MontLake Dunn WMA Institutional UCITS Fund	3.17

+ Related party to the fund

## Asset allocation

as at 2017	%
Corporate Bonds	20.18
Alternatives	14.13
Europe ex UK Equity	6.97
Global Emerging Market Equity	6.57
North America Equity	4.47
Global Equity	4.06
Government Bonds	3.88
UK Equities	3.60
Japanese Equities	3.15
Emerging Market Debt	2.95
Asia ex Japan Equity	2.58
Private Equity	2.23
Property	1.58
Derivatives	0.27
Other net assets	23.38
<b>Total net assets</b>	<b>100.00</b>

## Major holdings

as at 2016	%
Vanguard S&P 500 ETF	5.29
Henderson Horizon Total Return Bond Fund+	4.50
Henderson Institutional High Alpha UK Equity Fund Class Z Accumulation+	3.93
Henderson UK Property OEIC Z Accumulation+	3.63
ETFs Physical Gold	3.58
UK Treasury 0.125% Index-Linked 22/03/2024	3.57
Stewart Investors Asia Pacific Leaders Fund	3.56
Henderson Secured Loans Fund Class Z Gross Accumulation+	3.40
Kames Capital Invest Equity Market Neutral Plus Fund	3.18
Henderson European Selected Opportunities Fund Class I Accumulation+	3.05

## Asset allocation

as at 2016	%
Corporate Bonds	17.07
Alternatives	16.07
North America Equity	5.29
UK Equities	4.84
Global Equity	4.80
Property	3.63
Government Bonds	3.57
Asia ex Japan Equity	3.56
Europe ex UK Equity	3.05
Japanese Equities	2.94
Private Equity	2.82
Emerging Market Debt	2.03
Derivatives	(0.87)
Other net assets	31.20
<b>Total net assets</b>	<b>100.00</b>

## Report and accounts

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

Copies of the annual and half yearly long and short form reports 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 Growth 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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