



# ANNUAL SHORT REPORT

For the year ended  
31 October 2016

**Henderson**  
GLOBAL INVESTORS

**Henderson World Select Fund**

# Henderson World Select Fund

## Short Report

For the year ended 31 October 2016

### Investment Fund Managers

Matthew Beesley and Ian Tabberer

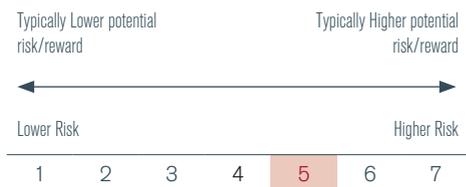
### Investment objective and policy

To aim to provide capital growth by investing in a concentrated portfolio of company shares in any economic sector and any area of the world. The fund will invest in companies of any market capitalisation, and will invest in a portfolio of typically 30-40 holdings. The fund may also invest in cash and near cash and deposits. The Fund may also make use of derivatives and forward transactions for the purpose of efficient portfolio management, including the use of stock lending.

### Risk and reward profile

The fund currently has 2 types of share class in issue; A accumulation and I accumulation.

Each type of share 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. Under normal market conditions the following risks may apply:

**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** 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.

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

The risk rating has changed from 6 to 5 in the year for I accumulation share class. There was no change in the risk rating in the year for A accumulation share class.

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

### Investment review

Although the fund performed well in absolute terms, returning 177% over the year to the end of October 2016, it significantly trailed the returns of the MSCI World index, which returned 28.8%. In local currencies, the return of the MSCI World Index was a considerably more modest 2.4%, the difference being attributable to sterling weakness as a result of the uncertainty caused by the Brexit referendum, inflating the returns of non-sterling assets. The journey from October 2015 to October 2016 was incredibly volatile. The first five months of the year saw investors convinced that the world was in danger of a recession: global economic

growth looked to be stalling; Chinese authorities intervened in the stock market with trading halts and liquidity injections; and West Texas Intermediate crude oil fell to a low of \$27 per barrel (it traded at \$65 in June 2015). This was followed by a relatively sudden recovery in cyclical, as it looked increasingly likely that the Chinese authorities would manage a 'soft landing' for the economy. By the end of summer 2016, however, fears of economic collapse had seemingly been forgotten, as investors grappled with the potential outcomes of a UK vote to leave the European Union and the increasingly unpredictable US presidential election. Despite the extended period of uncertainty, economic growth generated some positivity, with the US, China, the UK and Germany all surprising economists with GDP growth in the most recent quarter. Meanwhile, with over \$14trn in negative-yielding government debt, central banks continue to pursue their 'lower for longer' global interest rate policies, despite increasing scepticism of their effectiveness. Recent months have started to see investors question these policies, with bond markets falling and interest rates rising on improving economic data and inflation expectations.

The fund underperformed its MSCI World benchmark over the year, as central bank policy has fuelled bubbles in expensive defensive stocks and expensive growth on the back of ultra-low yields. Additionally, low yields led to investors fearing deflation and bidding up stocks that would survive a deflationary environment.

In North America, holdings within the information technology sector detracted from performance. The position in Western Digital suffered from a drop-off in PC spending, which outweighed the growth in servers required for cloud computing. Additionally, investors didn't warm to their acquisition of SanDisk; consequently, we sold the position. Outsourcer Cognizant suffered over concerns that its largest customers by sector (banking and healthcare) would have muted demand for the year. We sold the position in September, a few days before the firm announced senior management changes and an internal investigation into a possible case of bribery in some of its Indian operations, which sent the shares down by 13%. Within Europe, structural weakness in financials and healthcare detracted from performance. Israeli firm Teva Pharmaceutical reported mixed earnings, with continued strength in its MS drug Copaxone offsetting weakness in its generics business. The shares have been weak this year as a result of pricing pressure in the generics industry and the negative rhetoric from the US presidential candidates. The shares were put under further pressure later in August and September when it

was announced that three of the five patents protecting Copaxone from generic competition had been invalidated. Patent disputes are commonplace in the sector, and Teva continues to have one of the strongest development pipelines.

European Central Bank chief Mario Draghi introduced a negative interest rate policy to encourage lending. This, and concerns over the capital position of Italian banks and their potential need to raise capital following them being forced to contribute to a state bailout fund, led to the position in UniCredit being the weakest performer over the year. After concluding that investors might force a capital raise, we took the decision to sell the position.

Partly offsetting the negative performance were strong stock-specific gains. The position in Japanese dispensing chemist Tsuruha added the most to returns. The company continued to report earnings ahead of consensus, receiving further upgrades from store launches and the prospect of additional acquisitions. The investment thesis for Brazilian bank Itaú Unibanco is also starting to play out, with the bank reporting that it is starting to take market share from the public banks at attractive lending spreads. This indicates that the bank could have pricing power over the medium-term. Itaú has a strong capital position (14% Basel III CET1), and is generating strong returns on a global basis (19% return on equity in the first quarter of 2016) that not only protects the equity capital but also generates funds for future growth. In the US, low-cost retailer Dollar General proved a solid holding, reporting high single-digit top-line growth, stable gross margins and earnings per share growth supported by a large share buy back programme.

Looking forward, we are minded to think of the term 'Black Swan': a metaphor for unpredictable and rare occurrences. In our view, the election of businessman Donald Trump as the 45th US president and the UK's Brexit vote were such events. The Black Swan theory explains that one of the outcomes of such an event is that the probability of consequential events is basically impossible to scientifically predict. As Trump's election has highlighted, reassurance is not something we are likely to get, nor should we seek, from geopolitical events. Our change-based style does not work well in extreme momentum markets. Change by definition is the opposite of momentum. Fortunately, extreme momentum happens infrequently: the last times were 2007 and 1999. Emerging trends (rising commodity prices, the pressure of rising wages, the end of the deflationary globalisation trend and central banks welcoming higher inflation) should lead to investors realising that inflation is around the corner and this has

started to reverse the uptrend in momentum stocks (buying stocks with strong performance and selling those that have performed poorly over a short period). As investors, now more than ever is a time to look for stock-specific drivers of earnings growth. Looking out to 2017 and intentionally misquoting former US Secretary of Defense Donald Rumsfeld: we had known uncertainties with the Brexit vote and US election, but with the unexpected outcome of both of those, we now have unknown uncertainties.

## Performance summary

	31 Oct 15 - 31 Oct 16 %	31 Oct 14 - 31 Oct 15 %	31 Oct 13 - 31 Oct 14 %	31 Oct 12 - 31 Oct 13 %	31 Oct 11 - 31 Oct 12 %
Henderson World Select Fund	17.7	8.0	(1.0)	31.7	3.1
MSCI World Index	28.8	6.0	9.7	26.8	10.3

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. Figures in brackets are negative.

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	Payment dates
30 April, 31 October	31 December

### Ongoing charge figure

	2016 %	2015 %
Class A	1.70	1.70
Class I	0.85	0.85

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)
<b>Change in net assets per share</b>						
Opening net asset value per share	792.51	745.99	746.62	894.70	835.12	828.56
Return before operating charges*	153.22	60.15	12.04	174.14	67.27	13.60
Operating charges	(14.11)	(13.63)	(12.67)	(8.03)	(7.69)	(7.04)
Return after operating charges*	139.11	46.52	(0.63)	166.11	59.58	6.56
Distributions on accumulation shares	(2.27)	-	-	(10.30)	(5.72)	(3.17)
Retained distributions on accumulation shares	2.27	-	-	10.30	5.72	3.17
Closing net asset value per share	931.62	792.51	745.99	1,060.81	894.70	835.12
* after direct transaction costs of:	1.50	1.32	1.65	1.70	1.50	1.83

### Performance

Return after charges	17.55%	6.24%	(0.08%)	18.57%	7.13%	0.79%
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### Other information

Closing net asset value (£000s)	135,145	133,289	139,442	23,650	10,247	5,000
Closing number of shares	14,506,401	16,818,717	18,692,291	2,229,418	1,145,275	598,698
Operating charges	1.70%	1.70%	1.70%	0.85%	0.85%	0.85%
Direct transaction costs	0.18%	0.17%	0.22%	0.18%	0.17%	0.22%

### Prices

Highest share price (pence)	955.40	871.80	778.70	1,087.00	979.50	867.30
Lowest share price (pence)	709.60	738.50	688.80	803.00	827.50	770.60

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

## Major holdings

as at 2016	%
Itaú Unibanco	3.72
SAP	3.59
Facebook	3.52
Alphabet 'C'	3.49
PayPal	3.36
Coca-Cola HBC	3.35
Citizens Financial	3.30
Carnival	3.26
Wabtec	3.21
AON	3.20

## Major holdings

as at 2015	%
Alcatel-Lucent	3.19
Zimmer Holdings	3.18
Regal Beloit	3.10
Citizens Financial	3.08
eBay	3.07
Occidental Petroleum	3.06
Orange	3.05
Shinhan Financial	3.01
Softbank	3.01
Alphabet 'C'	3.00

## Asset allocation

as at 2016	%
United States	55.38
Switzerland	6.48
Japan	5.66
Canada	3.93
Brazil	3.72
Germany	3.59
Portugal	3.12
Netherlands	3.08
South Korea	3.04
United Kingdom	2.88
Russian Federation	2.78
Spain	2.67
Israel	2.54
Other net assets	1.13
<b>Total net assets</b>	<b>100.00</b>

## Asset allocation

as at 2015	%
United States	54.62
Japan	9.23
United Kingdom	8.37
France	8.27
South Korea	3.01
Spain	3.00
Italy	2.89
Israel	2.86
Canada	2.68
Belgium	1.88
Other net assets	3.19
<b>Total net assets</b>	<b>100.00</b>

## Report and accounts

This document is a short report of the Henderson World Select Fund for the year ended 31 October 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](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 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  
(formerly Investment Management 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  
Essex  
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

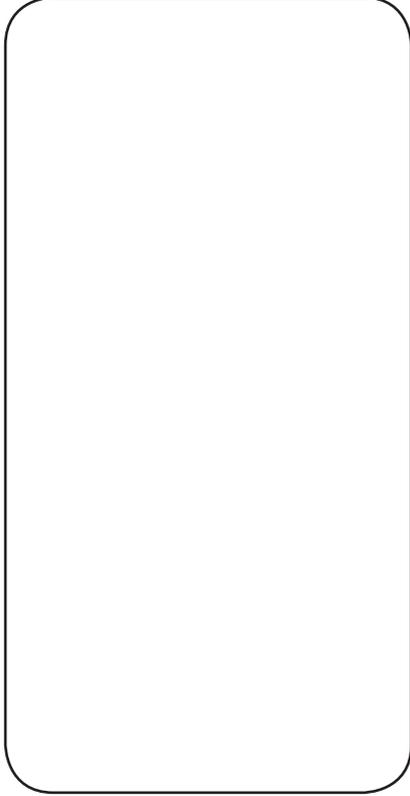
PricewaterhouseCoopers LLP  
141 Bothwell Street  
Glasgow  
G2 7EQ.

# Contact us

Client Services 0800 832 832

[www.henderson.com](http://www.henderson.com)

Head Office address:  
201 Bishopsgate, London EC2M 3AE



## 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 31 October 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 World Select Fund at any time by logging on to [www.henderson.com](http://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](mailto: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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