



ANNUAL SHORT REPORT

For the year ended
30 September 2016

Henderson
GLOBAL INVESTORS

Henderson Multi-Manager Absolute Return Fund

Henderson Multi-Manager Absolute Return Fund

Short Report

For the year ended 30 September 2016

Investment Fund Manager

Henderson Multi-Asset Team

Investment objective and policy

The fund aims to achieve a positive absolute return over the long term regardless of market conditions. The fund aims to typically deliver absolute (more than zero) returns over a rolling 12 month period. An absolute return performance is not guaranteed over this specific, or any other, time period and consequently capital is in fact at risk. The fund will invest in a range of collective investment schemes, transferable securities, cash deposits, money market instruments and derivatives.

Risk and reward profile

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

A accumulation, I accumulation, K accumulation, A Euro Hedged accumulation, A US Dollar Hedged accumulation, K Euro Hedged accumulation and K US Dollar Hedged accumulation.

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 lowest category does not mean risk free.

The fund's risk level reflects the following:

- The fund invests in, or otherwise gains exposure to, a mix of different asset classes.
- 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.

The following risks apply to investments in the fund. These could be triggered or made worse by unusual market conditions or unpredictable market events.

Currency risk The fund uses derivatives in order to reduce the risks otherwise associated with making investments in currencies other than the fund's accounting currency.

Derivatives risk Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative instrument.

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.

Hedged classes While the ACD may attempt to hedge currency risks, there can be no guarantee that it will be successful in doing so and it may result in mismatches between the currency position of the fund and the relevant hedged share class. As there is no segregation of liabilities between share classes, there is a remote risk that under certain circumstances, currency hedging transactions in relation to a share class could result in liabilities which might affect the net asset value of other share classes of the fund.

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

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.

Market overview

Global equity markets rose 30% over the 12-month review period, as measured by the MSCI World Index in sterling terms. In December, the US Federal Reserve (Fed) introduced interest rate rises for the first time in nearly a decade. Conversely, Japan, Europe, the UK and China all enacted easing measures. Commodities struggled over the winter months but discussions between OPEC members regarding the stemming of production gave oil a positive outlook at the year's end.

However, there were still some periods of volatility (sharper fluctuations in price), such as the aftermath of the UK's decision to leave the European Union (EU). UK equities dipped sharply upon the result announcement, but overall the FTSE All-Share Index ended June with a positive return. The appointment of new Prime Minister Theresa May boosted equities in July. In early August, the Bank of England (BoE) cut interest rates to 0.25% as part of a fiscal stimulus programme. Post-Brexit-vote data confirmed that the decision to leave the EU was not destroying the economy, reducing fears of a recession. Global stocks declined again in early September over disappointment at the European Central Bank's (ECB) decision to leave its monetary policy unchanged and uncertainty regarding the Fed's plan for interest rate hikes.

Japanese markets fell over the year in yen terms but rose in sterling terms. Low inflation levels were accompanied by a continuously strong yen. This had a negative effect on the country's balance of trade, which recorded a deficit in May and August. Late in the period, the central bank extended its stimulus package in the form of ¥2.7trn worth of exchange-traded fund purchases, though this disappointed investors, who had hoped for further rate cuts. Later, an additional \$45bn stimulus package was introduced to aid the stagnating Japanese economy.

Asian equity markets rose by almost 37% over the 12 months, as measured by the MSCI AC Asia Pacific ex Japan Index in sterling terms. The People's Bank of China continued to enact easing measures. The benchmark interest rate was decreased to 4.35% and the renminbi was allowed to depreciate. By August, the Chinese economy showed signs of stabilising and profits in the industrial sector rose at the quickest pace in three years.

Emerging markets gained over 36% in sterling terms, buoyed by a generally improving oil price, a strong US dollar and uncertainty in the UK and Europe that sent investors searching for opportunities elsewhere. The impeachment of Brazilian president Dilma Rousseff was viewed positively by investors and her replacement, Michel Temer, was viewed as very favourable for markets. However, Brazil's gross domestic product growth for the second quarter was downbeat and the jobless total remained high. By July, Indian, Indonesian, South Korean and Taiwanese stock markets all reached 2016 highs. Turkey suffered during the year, plagued by political upheaval and terrorist activity. In September, the South Korean inflation rate reached a seven-month high, driven by surging food prices.

Within fixed income, major government bond markets saw yields fall (yields move inversely to prices, which rose). Fears about a global climate of low inflation, stunted commodity prices and slowing industrial production drew investors to these relative 'safe havens'.

Market overview (continued)

Many government bonds found favour in the UK's decision to leave the EU. There was a fall in 10-year US Treasury yields and German bond yields reached new lows. Corporate debt gleaned headlines in Europe on the ECB's announcement that the asset class would be included in its bond buying programme from June. UK gilts briefly turned negative in August upon the announcement of the BoE's stimulus package, which included the purchase of £10bn worth of corporate bonds.

The US dollar gained strongly against sterling as the British currency was held back by uncertainty surrounding the Brexit vote. Both sterling and the US dollar weakened against the euro, which was boosted by early 2016 oil price falls, as it is not closely associated with the fortunes of commodities. The Japanese yen strengthened against both the US dollar and sterling, which posed a challenge for Japan's exporters.

Commodity markets improved over the period. The price of oil recovered as concerns about oversupply were dissolved by an agreement between leading oil producers to maintain supply levels at an even pace. A drop in stockpiles of US crude also helped. However, prices dipped in July. Gold enjoyed a strong rally during the review period, boosted by global economic uncertainty. The Fed's decision to leave interest rates unchanged also proved supportive for the precious metal. But copper zigzagged, with highs and lows seen in equal measure throughout the year.

Against this market backdrop, the Henderson Multi-Manager Absolute Return Fund performed well, returning 4.2% on a net of fees basis.

Positive performance was generated from most sectors within the fund, demonstrating the genuine diversification of strategies across the portfolio. The fund's allocation to specialist equity funds provided the strongest overall performance contribution, with key returns delivered from underlying holdings in the Schroder ISF Asian Total Return Fund and the Kennox Strategic Value Fund, which gained over 37% and 36%, respectively.

Elsewhere, strong performance returns were also received from ETFS Physical Gold (commodities), which demonstrated its mettle as an effective hedge against broad risk aversion and concerns over negative interest rate policies. After struggling last year due to its value bias, the Majedie Tortoise Fund (absolute return equity), continued to build on very attractive returns year to date, derived from manager Matthew Smith's contrarian stance. Meanwhile, holdings in the PIMCO GIS Income Fund (fixed interest) and the Goldman Sachs US Real Estate Balanced Portfolio (property) were boosted by their largely international flavour and the ongoing weakness in sterling.

The detractors were Pershing Square Holdings, the DW Catalyst Fund, BH Macro and the Melchior Selected Trust European Absolute Return Fund. Listed hedge funds DW Catalyst and BH Macro saw relatively disappointing performance, exacerbated by discount widening, while Melchior's short bias was a major headwind during the year of rallying markets.

Portfolio activity

In December, we added the Montlake Dunn WMA UCITS Fund. This is a systematic strategy that invests across many liquid asset classes and makes money from identifying trends within markets. We believe that it can make money not only in rising markets but also when asset prices are falling. These are valuable characteristics for a fund to have and could prove very useful in sustained market declines.

Meanwhile, in March, we added a new holding to the absolute return equity sleeve, the F&C Global Equity Market Neutral Fund. This is a quantitative fund that takes long positions in global companies that exhibit strong value, size, volatility, growth and momentum styles, and shorts companies that display the weakest characteristics within those areas. The overall fund is expected to have no market sensitivity and although it has a relatively short record, it is based on sound academic research on the existence of such 'Style Premia' in markets. Each style tends to perform well at different stages of the market cycle, providing a robust and differentiated return profile for the fund.

Portfolio Activity (continued)

During April, we trimmed our holding in The Renewable Infrastructure Group after a recent advance and in light of an announced capital raise, which would likely put pressure on the Trust's premium. We used these proceeds and some of the fund's cash to initiate a position in International Public Partnerships, which invests predominantly in social infrastructure projects in the UK. During May, the remaining investment in Pershing Square Holdings was sold after it bounced sharply off its lows. Pershing is a listed hedge fund strategy, pursuing an activist approach in US large and mid-cap firms. It was hit hard by its investment in troubled pharmaceutical stock Valeant. Our faith in the manager was undermined by its apparent lack of deep knowledge of one of its largest positions and associated problems with portfolio management and position sizing.

In June, we reduced some risk in areas we felt would be particularly vulnerable in the event of an exit vote, but which had hitherto proved to be resilient, such as the Euro Stoxx 50 Dividends 2017 futures. Also, having meaningfully reduced our UK commercial property holding in February, we have now exited the position completely. Our view was that, with an uncertain domestic economic outlook and rapidly deteriorating sentiment, the yields on offer were not compensating us for the increased risks. We also reduced our holding in the Old Mutual Absolute Return Government Bond Fund, as one of the key managers of the strategy left.

With regard to currencies, we decided to hedge a significant portion of foreign exchange risk earlier in the year. While returns from the fund would undoubtedly have been greater given sterling's notable weakness, we felt that it was prudent to dampen this particular risk and ensure that it was not the dominant driver of volatility in the fund. Foreign exchange volatility was already heightened prior to the Brexit vote and our risk models were showing that currency moves had become a dominant risk in the fund, overwhelming the other investments we had made. Nevertheless, we retained a small amount of US dollar and euro holdings (about 5% in each), plus another 6% across the Japanese yen and some emerging-market currencies. This should continue to help the fund's performance if sterling continues to weaken, which we think is likely.

Strong performance led us to take profits in July and alter the shape of the fund in general. We were concerned that the rally in equities was not sustainable, particularly going into the traditionally choppy summer months. The position in the Schroder Asian Total Return Fund was trimmed and we implemented a short index futures position in German equities to bring down the overall sensitivity of the fund to a market drawdown. Profits were also taken in gold, Foresight Solar and the Goldman Sachs US Real Estate Fund. We moved from a passive position in emerging-market equities into the Genesis Emerging Markets Investment Trust, which is managed by a very large, well-resourced team and has generated impressively consistent outperformance over the long term. Despite this, the trust was trading at a double digit discount to net asset value, which was at the high end of its historic range.

During August, we further reduced our equity holdings, believing that markets looked vulnerable to a pullback. We did this in two ways: firstly, a straightforward exit from our Japanese index future, and secondly, by buying some portfolio insurance. The very low volatility in markets over the summer allowed us to purchase some put options on the FTSE 100 and S&P 500 indexes. When markets are gently trending upwards and investors are relatively relaxed, it is a good time to look at options as a way of hedging against a sudden downturn. We 'spent' about 0.3% of the fund value on these options, which effectively hedged around 20% of the portfolio from any equity market falls of around 5% or more from the date of purchase. (And our maximum loss on the put options is limited to the premium spent, ie, 0.3% of portfolio value).

Outlook

We believe that the fund is in good shape with a focus on relative value within markets, rather than being dependent on the overall direction of equity or bond indices. We have a small bias towards emerging-market equities and bonds, expressed directly through specialist funds or indirectly through unconstrained bond strategies.

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 Multi-Manager Absolute Return Fund	4.2	(0.2)	2.0	3.9	3.0
IMA Absolute Return Sector Average*	-	-	-	-	2.7

Source : Morningstar – bid to bid and net of fees as at valuation point, based on performance of class A accumulation.

Figures in brackets are negative.

* Please note that IMA Absolute Return Sector Average was discontinued as of 31 May 2013. The fund is no longer being measured against a benchmark index.

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

Ongoing charge figure

	2016 %	2015 %
Class A accumulation	1.92	1.92
Class I accumulation	1.23	1.23
Class K accumulation	1.91	1.91
Class A Euro Hedged accumulation	1.92	1.92
Class A US Dollar Hedged accumulation	1.92	1.92
Class K Euro Hedged accumulation	1.91	1.91
Class K US Dollar Hedged accumulation	1.91	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 0.51% (2015: 0.52%) 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 this disclosure has been adopted to enable comparison across our fund range.

Comparative tables as at 30 September 2016

	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	134.10	134.00	131.12	108.64	108.04	105.11
Return before operating charges*	7.93	2.71	5.44	6.35	1.95	4.27
Operating charges	(2.61)	(2.61)	(2.56)	(1.36)	(1.35)	(1.34)
Return after operating charges*	5.32	0.10	2.88	4.99	0.60	2.93
Distribution on accumulation shares	(0.32)	(0.47)	–	(0.89)	(0.86)	(0.50)
Retained distributions on accumulation shares	0.32	0.47	–	0.89	0.86	0.50
Closing net asset value per share	139.42	134.10	134.00	113.63	108.64	108.04
*after direct transaction costs of:	0.03	0.02	0.04	0.02	0.02	0.03
Performance						
Return after charges	3.97%	0.07%	2.20%	4.59%	0.56%	2.79%
Other information						
Closing net asset value (£000s)	42,245	56,197	75,414	105,844	97,219	89,801
Closing number of shares	30,301,220	41,907,896	56,277,236	93,150,207	89,489,149	83,118,503
Operating charges	1.92%	1.92%	1.93%	1.23%	1.23%	1.25%
Direct transaction costs	0.02%	0.01%	0.03%	0.02%	0.01%	0.03%
Prices						
Highest share price (pence)	139.80	140.10	134.80	113.80	113.30	108.70
Lowest share price (pence)	132.10	131.90	131.20	107.20	106.40	105.20

Comparative tables as at 30 September 2016

	Class K accumulation		
	2016	2015	2014
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	1,065.52	1,065.49	1,042.44
Return before operating charges*	62.84	20.65	43.34
Operating charges	(20.57)	(20.62)	(20.29)
Return after operating charges*	42.27	0.03	23.05
Distribution on accumulation shares	(2.39)	(2.90)	–
Retained distributions on accumulation shares	2.39	2.90	–
Closing net asset value per share	1,107.79	1,065.52	1,065.49
*after direct transaction costs of:	0.24	0.16	0.29
Performance			
Return after charges	3.97%	0.00%	2.21%
Other information			
Closing net asset value (£000s)	192	184	485
Closing number of shares	17,399	17,293	45,545
Operating charges	1.91%	1.91%	1.92%
Direct transaction costs	0.02%	0.01%	0.03%
Prices			
Highest share price (pence)	1,111.00	1,114.00	1,072.00
Lowest share price (pence)	1,049.00	1,049.00	1,043.00

Comparative tables as at 30 September 2016

	Class A Euro Hedged accumulation			Class K Euro Hedged 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	78.88	83.98	88.45	772.54	822.62	866.08
Return before operating charges*	17.90	(3.55)	(2.78)	175.49	(34.96)	(27.11)
Operating charges	(1.61)	(1.55)	(1.69)	(15.74)	(15.12)	(16.35)
Return after operating charges*	16.29	(5.10)	(4.47)	159.75	(50.08)	(43.46)
Distribution on accumulation shares	(0.14)	(0.20)	–	(1.44)	(1.83)	–
Retained distributions on accumulation shares	0.14	0.20	–	1.44	1.83	–
Closing net asset value per share	95.17	78.88	83.98	932.29	772.54	822.62
*after direct transaction costs of:	0.02	0.01	0.02	0.19	0.12	0.23
Performance						
Return after charges	20.65%	(6.07%)	(5.05%)	20.68%	(6.09%)	(5.02%)
Other information						
Closing net asset value (£000s)	1,353	1,519	1,537	216	181	78
Closing number of shares	1,421,412	1,926,359	1,829,993	23,109	23,376	9,508
Operating charges	1.92%	1.92%	1.93%	1.91%	1.91%	1.92%
Direct transaction costs	0.02%	0.01%	0.03%	0.02%	0.01%	0.03%
Prices						
Highest share price (Euro cent)	110.45	112.29	108.51	1,081.97	1,099.87	1,062.97
Lowest share price (Euro cent)	104.95	106.09	105.90	1,027.88	1,039.24	1,037.21

Comparative tables as at 30 September 2016

	Class A US Dollar Hedged accumulation			Class K US Dollar Hedged 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	70.72	66.37	65.24	695.56	652.67	641.33
Return before operating charges*	16.54	5.71	2.38	163.01	56.14	23.54
Operating charges	(1.47)	(1.36)	(1.25)	(14.64)	(13.25)	(12.20)
Return after operating charges*	15.07	4.35	1.13	148.37	42.89	11.34
Distribution on accumulation shares	(0.14)	(0.18)	-	(1.51)	(1.83)	-
Retained distributions on accumulation shares	0.14	0.18	-	1.51	1.83	-
Closing net asset value per share	85.79	70.72	66.37	843.93	695.56	652.67
*after direct transaction costs of:	0.02	0.01	0.02	0.17	0.10	0.17
Performance						
Return after charges	21.31%	6.55%	1.73%	21.33%	6.57%	1.77%
Other information						
Closing net asset value (£000s)	1,957	1,520	396	2,221	684	687
Closing number of shares	2,281,176	2,149,826	597,038	263,139	98,274	105,251
Operating charges	1.92%	1.92%	1.93%	1.91%	1.91%	1.92%
Direct transaction costs	0.02%	0.01%	0.03%	0.02%	0.01%	0.03%
Prices						
Highest share price (USD cent)	111.60	112.16	108.30	1,098.48	1,103.08	1,065.02
Lowest share price (USD cent)	105.39	105.92	105.74	1,036.70	1,041.58	1,039.47

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	%
Majadie Tortoise Fund	5.48
Henderson Horizon Total Return Bond Fund+	4.97
Plurimi Global Macro Diversified Dynamic Solution Fund	4.70
Melchior Selected European Absolute Return Fund	4.56
PIMCO Global Investors Series Income Fund	4.40
BH Macro GBP	3.74
DB Platinum IV GAM Absolute Return Europe Equity Fund	3.66
Kames Capital Invest Equity Market Neutral Plus Fund	3.64
Absolute Insight Emerging Market Debt Fund Accumulation	3.54
MontLake Dunn WMA Institutional UCITS Fund	3.48

+ Related party to the fund

Asset allocation

as at 2016	%
Absolute Return Equity	24.16
Fixed Interest	14.76
Hedge Strategies	11.92
Absolute Return Fixed Income	11.66
Specialist Equity	10.83
Property	9.31
Commodities	6.76
Derivatives	0.12
Other net assets	10.48
Total net assets	100.00

Major holdings

at as 2015	%
Melchior Selected European Absolute Return Fund	5.61
Henderson Credit Alpha Fund+	4.97
Henderson Horizon Total Return Bond Fund+	4.56
Henderson UK Property OEIC+	4.56
Majadie Tortoise Fund	4.53
BH Macro GBP	3.95
DB Platinum IV GAM Absolute Return European Equity Fund	3.82
Kames Capital Invest Equity Market Neutral Plus Fund	3.70
Ignis Absolute Return Government Bond Fund	3.64
Plurimi Global Macro Diversified Dynamic Solution Fund	3.52

Asset allocation

at as 2015	%
Absolute Return Equity	20.12
Absolute Return Fixed Income	16.25
Hedge Strategies	13.82
Property	12.72
Fixed Interest	10.51
Specialist Equity	7.86
Commodities	5.79
Derivatives	(0.33)
Other net assets	13.26
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson Multi-Manager Absolute Return Fund for the year ended 30 September 2016.

Copies of the annual and half yearly long 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

Depositary

National Westminster Bank Plc
135 Bishopsgate
London EC2M 3UR

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

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow G2 7EQ

Shareholder Administrator

International Financial Data Services (UK) Limited
IFDS House
St. Nicholas Lane
Basildon
Essex SS15 5FS

Contact us

Client Services 0800 832 832

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 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 Multi-Manager Absolute Return 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: 34Y

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

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