Henderson
GLOBAL INVESTORS

ANNUAL SHORT REPORT

For the year ended
31 October 2015

Henderson Asia Pacific Capital Growth Fund

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Short Report

For the year ended 31 October 2015

Investment Fund Managers

Andrew Gillan and Mervyn Koh

Other information

Please note Class I USD accumulation launched on 10 April 2015 and with effect from 1 October 2015, Mervyn Koh is co-Investment Fund Manager of the fund.

Investment objective and policy

To aim to provide capital growth by investing in Pacific region and Indian sub-continent companies. The fund may invest in Australasia, but not in Japan. It is not restricted in the size of companies in which it can invest.

Risk and reward profile

The fund currently has 5 types of share class in issue; A accumulation, C accumulation, I accumulation, Z accumulation and I USD accumulation.

Each share class has the same risk and reward profile which is as follows:

Typically Lower potential risk/reward — Typically Higher potential risk/reward

Lower Risk — Higher Risk

1	2	3	4	5	**6**	7

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 focuses on a single region.
- 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.

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 Warnings" 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.

Investment review

Asia Pacific ex Japan markets declined by 7% for the 12 months to the end of October. The region gave back first-half gains as concerns over weaker global growth, particularly the slowdown in China, weighed on sentiment despite supportive monetary policy. Only three markets in the region posted gains for the year, with China, Hong Kong and the Philippines holding on to small advances despite the correction in the second half. Hong Kong and China H shares initially benefited from the rally in China A shares, but also suffered as the level of trading on margin unwound and as corporate fundamentals failed to keep pace with the earlier rise in share prices. Australia, Indonesia and Malaysia posted the largest stock market declines due to commodity-price falls that also impacted their currencies.

The transition in China's economic growth model from investment-led to consumption and services driven has been well flagged, but this still resulted in a slowing headline rate of growth and a significant fall in demand for commodities, which impacted both other Asian economies in and investor sentiment outside of the region. This, coupled with speculation on the timing of a US interest rate increase, along with dollar strength, resulted in increased volatility. Central banks reacted, and we continued to see interest rate cuts in response to weaker economic growth – China in particular cut interest rates and reserve rate requirements in addition to implementing targeted policy measures to boost the property and auto markets during the year. While the Reserve Bank of India downgraded the country's GDP growth expectations for the fiscal year ending March 2016 due in part to the weaker monsoon, it remained above 7%.

For the year, the fund marginally underperformed the benchmark, declining 7.6% relative the 7.0% fall in the regional index. Our holdings proved more defensive in the second half of the year after lagging the market's rise in the first half. From an asset allocation perspective, our underweight to Australia, in addition to our lack of exposure to Malaysia throughout the year, contributed positively, as these markets and their currencies were most impacted by the sharp declines in oil and commodity prices. The overweight to India also contributed, as the market proved more resilient in the second half thanks to good corporate earnings growth (even if some companies fell a little short of lofty expectations). The key detractors were our underweight exposure to Korea, which outperformed, and the overweight to Thailand, which underperformed together with other South East Asian countries. Again, earnings growth from Korean companies remained supportive, while there was renewed optimism for increased shareholder returns following policy to increase the tax on excess cash balances. While this was a positive development for the market – the fund benefited late in the year from a large position in Samsung Electronics, which committed both to share buybacks and higher dividends – it remains to be seen if this will be repeated by other Korean companies. In Thailand, the economy stalled and consumption remained weak, which particularly impacted Kasikornbank's small and medium enterprises portfolio. However, our one other holding in Thailand, Siam Cement, reported better results driven by its chemicals business.

Stock selection was mixed, with positive contributions from India, China, the Philippines and Australia; negative contributions came from Korea and Singapore. In India, pharmaceutical company Lupin, which we purchased early in the year, outperformed following good results and continued growth in the key US generics market. Indian financial services companies HDFC and HDFC Bank both outperformed as credit growth remained buoyant and asset quality stayed strong despite higher non-performing loans elsewhere in the Indian banking sector. Though their consumer focus remains a strength, we sold our position in HDFC Bank on valuation grounds after the foreign institutional investor premium reached almost 20%, but maintained a larger position in parent company HDFC. In China, NetEase was a strong performer following successful games launches in both the PC and the increasingly important mobile games market. Ayala performed well in the Philippines as earnings growth from the property and banking conglomerate remained robust. In Australia, our holdings in CSL, Amcor and Scentre Group all contributed positively, but we also benefited from our underweight position in Australian banks, which underperformed on increased capital requirements. We exited the position in Commonwealth Bank of Australia and had no exposure to Australian banks by year-end. Stock selection was weakest in Korea, where our healthcare companies underperformed following strong contributions in the previous year. Our exposure to internet company Naver also detracted. We exited these underperformers during the year, though maintained a position in memory company SK Hynix. While the company underperformed, the industry consolidation in dynamic random access memory (DRAM) should mean better pricing in the quarters ahead despite weaker demand from traditional PC DRAM; there is a better demand outlook for mobile and server DRAM, which should compensate. In Singapore, Ezion was the main detractor, as the supplier of support vessels for the oil & gas industry reported weaker results as client demand was impacted by the sharp fall in the oil price.

There were a number of additions to the fund during the year; a key trend has been to reduce the number of overall holdings to 37 by year-end. We feel that this offers our investors a higher-conviction, more active portfolio while still providing diversification by country and sector. Examples of new positions can be found in the Indian IT services and pharmaceutical sectors, where we added Infosys and Aurobindo, respectively. We believe both offer good structural growth in the years ahead. Similarly, in Taiwan, we added technology companies Largan and Catcher, which both have an excellent track record of delivering superior returns despite being part of the supply chain. Consumer staples companies in Asia have generally been expensive in recent times, but we initiated a position in Universal Robina of the Philippines, which had underperformed on competition concerns in the domestic coffee industry. The company is a market leader in several categories in the Philippines, but also has exposure to other South East Asian markets and offers excellent growth prospects. In addition to some of the sales mentioned above, we exited BHP Billiton and Ezion given the continued challenging outlook for commodity prices, and also sold our position in Chinese property company China Resources Land. Despite improving company-specific fundamentals and a strong balance sheet, we feel that the company could be affected by the sector remaining under pressure given the weak macroeconomic environment.

Despite the headline slowdown in Chinese growth, Asia remains in relatively good shape. While profit growth was weaker than anticipated at the start of the year given that lower input costs were offset by price cuts, it has nonetheless remained positive. The region continues to grow faster than the major developed markets, and without the same level of monetary stimulus helping to achieve this. Valuations remain reasonable, and while an increase in US interest rates may mean further capital flows away from the region, the long-term drivers of increased consumption, attractive demographics and significant economic development in Asia's emerging economies continue to provide attractive investment opportunities.

Performance summary

	31 Oct 14 - 31 Oct 15 %	31 Oct 13 - 31 Oct 14 %	31 Oct 12 - 31 Oct 13 %	31 Oct 11 - 31 Oct 12 %	31 Oct 10 - 31 Oct 11 %
Henderson Asia Pacific Capital Growth Fund	(7.6)	4.2	13.8	2.5	(8.9)
MSCI All Country Asia Pacific (ex Japan) Index	(7.0)	4.7	12.2	7.3	(4.8)

Source: Morningstar, bid to bid and net of fees, as at 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.

Summary of fund performance

Share class	Net asset value* 2015 p	Net asset value* 2014 p	Net asset value % change
Class A accumulation	692.34	749.71	(7.65)
Class C accumulation	478.48	512.27	(6.60)
Class I accumulation	753.17	808.59	(6.85)
Class Z accumulation	817.62	871.03	(6.13)
Class I USD accumulation^	548.67	-	-

* The net asset value is calculated as at close of business on the last business day of the accounting period. The investments are valued at fair value which is generally deemed to be the bid market price.
^ Class I USD accumulation launched on 10 April 2015

Net revenue distribution

Share class	2015 p	2014 p
Class A accumulation	1.03	5.71
Class C accumulation	7.37	9.53
Class I accumulation	7.79	10.51
Class Z accumulation	20.05	620.49
Share class	**2015 USD cents**	**2014 USD cents**
Class I USD accumulation*	7.44	-

Total dividend distributions for the year ended 31 October 2015, comparison is for the same period last year.
* Class I USD accumulation launched on 10 April 2015

Fund facts

Accounting dates	Payment dates
30 April, 31 October	31 December

Ongoing charge figure

	2015 %	2014 %
Class A	1.73	1.79
Class C	0.60	0.65
Class I	0.89	0.95
Class Z	0.10	0.11
Class I USD	0.89*	-

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).
* Please note Class I USD launched on 10 April 2015 and these are estimated figures.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2010	2.06	725.80	537.00
2011	0.83	742.70	507.90
2012	0.88	675.50	567.50
2013	0.75	751.40	628.70
2014	5.71	775.80	651.50
2015	1.03 *	868.90 +	612.60+
Class C accumulation			
2011[2]	1.92	421.00	335.00
2012	4.95	451.90	375.56
2013	7.69	503.90	423.00
2014	9.53	529.20	441.50
2015	7.37 *	596.70 +	422.50 +
Class I accumulation			
2010	7.77	759.30	558.30
2011	4.33	777.20	534.20
2012	5.97	717.10	597.90
2013	8.47	799.00	670.30
2014	10.51	835.70	698.30
2015	7.79*	940.70 +	665.30+
Class X accumulation			
2010[1]	-	588.50	568.50
Class Z accumulation			
2010	17.55	791.20	576.40
2011	13.42	809.90	560.90
2012	11.77	761.50	629.08
2013	18.10	849.80	714.50
2014	620.49	899.20	747.80
2015	20.05 *	1,017.00 +	721.30+
	Net revenue (USD cents per share)	**Highest price (USD cents per share)**	**Lowest price (USD cents per share)**
Class I USD accumulation			
2015[3]	7.44*	1,000.00+	761.90+

+ to 31 October
* to 31 December
[1] Class X accumulation merged with Class A accumulation on 11 January 2010
[2] Class C accumulation (previously Class P accumulation) launched on 12 August 2011
[3] Class I USD accumulation launched on 10 April 2015

Past performance is not a guide to future performance

Major holdings

as at 2015	%
Samsung Electronics Preference Shares	7.36
AIA	4.58
Housing Development Finance	4.47
Tencent Holdings	4.37
CSL	4.04
Taiwan Semiconductor Manufacturing ADS	3.96
Baidu Sponsored ADR	3.66
Ayala	3.40
NetEase.com ADR	3.31
Lupin	3.24

Major holdings

as at 2014	%
Taiwan Semiconductor Manufacturing ADS	3.91
DBS Holdings	2.88
Commonwealth Bank of Australia	2.67
AIA	2.66
Kasikornbank	2.58
BHP Billiton	2.57
Amcor	2.56
Cheung Kong Holdings	2.54
Tencent Holdings	2.54
Baidu Sponsored ADR	2.48

Asset allocation

as at 2015	%
India	21.56
China	20.13
Hong Kong	12.29
Taiwan	10.62
South Korea	9.41
Australia	8.22
Philippines	5.03
Singapore	4.46
Thailand	4.30
Indonesia	1.88
Other net assets	2.10
Total net assets	**100.00**

Asset allocation

as at 2014	%
China	25.91
South Korea	14.09
Australia	13.10
India	12.12
Hong Kong	8.14
Taiwan	8.10
Singapore	8.04
Thailand	4.06
Indonesia	3.08
Philippines	2.39
Other net assets	0.97
Total net assets	**100.00**

Report and accounts

This document is a short report of the Henderson Asia Pacific Capital Growth Fund for the year ended 31 October 2015.

Copies of the annual and half yearly long form report 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.

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.

Issued by:
Henderson Investment Funds Limited
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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 31 October 2015. 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 Asia Pacific Capital Growth 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.

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