



ANNUAL SHORT REPORT

For the year ended
31 October 2016

Henderson
GLOBAL INVESTORS

Henderson Asia Pacific Capital Growth Fund

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Short Report

For the year ended 31 October 2016

Investment Fund Managers

Andrew Gillan and Mervyn Koh

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:



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 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.

Investment review

Asia Pacific ex Japan markets posted healthy gains for the year to October 2016. However, the returns were flattered somewhat by the substantial depreciation in sterling leading up to and after the Brexit referendum. The fund gained 37.6% relative to the 37.0% increase in the MSCI Asia Pacific ex Japan index. Following the Brexit referendum, we saw a rotation back towards emerging markets, which Asia benefited from as investors refocused on the superior growth from Asian economies and relatively attractive valuations following

underperformance versus developed markets. Indonesia, Taiwan and Thailand produced some of the highest returns, while larger markets like China and India both gained but lagged the rise in the regional index. Macroeconomic highlights included higher commodity prices, resulting from some economic stimulus in China which helped to stabilise the mainland economy; a continued gradual depreciation of the Chinese renminbi against the dollar; and a rebound in the oil price on signs that supply would be capped – although this reversed toward year-end. In politics, the Philippines elected Rodrigo Duterte as the new president, which at first boosted the local stock market on signs of a continuation in his predecessor's economic policies; but sentiment changed following some of his rhetoric, which resulted in the cancellation of a scheduled meeting with US President Barack Obama. Finally, while Donald Trump's presidential election victory occurred after the year-end, it is important to highlight that we believe this will pose some challenges for Asia given his views on global trade, particularly in addition to the prospect of higher US interest rates if he carries through on his promises for more fiscal stimulus. Nonetheless, we believe that Asian economies are in a much stronger position than they were a few years ago, when we saw the impact of tapering (a reduction in central bank stimulus) on currencies and stock markets. Fiscal positions and current accounts are much better placed now, and interest rates still allow room for more conventional economic stimulus, unlike much of the developed world.

On a sector basis, our two most significant positions both contributed positively. Our overweight to the information technology sector was the largest contributor in terms of allocation, while stock selection was also positive. Similarly, the underweight to financials was also positive in both allocation and in terms of stock selection. This was partially offset by our overweight to healthcare, which underperformed the broader market. While the US election resulted in short-term rotation, we remain comfortable with these positions as we continue to believe that the technology sector can deliver superior earnings growth in the current low global growth environment, and that the credit cycle will continue to worsen for the banking sector, particularly in South East Asia.

At a country level, asset allocation was negative, primarily due to our underweight to Australia and overweight to India. Australia has benefited from

a strong housing market which has helped to offset the weaker commodity demand from China, although the latter has also been boosted by the recent stimulus efforts. We would still question the sustainability of this resilience and see more compelling growth prospects in the rest of Asia. In India, prime minister Narendra Modi's reform efforts appear to be gathering pace, and, while investors have generally been disappointed at the rate of progress, the country remains one of Asia's brightest economies and companies there continue to generate superior returns on equity and earnings growth. Our stock selection in India was also negative over the year as our positions in pharmaceuticals such as Lupin and information technology services such as Infosys and Tata Consultancy Services underperformed the market.

Growth rates for both the pharmaceuticals and information technology services sectors were downgraded as the generics pharmaceutical industry faced increased scrutiny from the US Food and Drug Administration, while information technology services companies have witnessed a cyclical slowdown in client spending, particularly in the banking and financial services vertical. While disappointing, our view is that we do not yet see these as structural issues and we are therefore maintaining our positions. Domestically focused companies performed better, including HDFC Bank and consumer staples companies ITC and Godrej Consumer. The most significant contribution came from stock selection in China, where our holdings in the new economy, specifically our positions in internet and online gaming companies NetEase and Tencent, outperformed; we therefore benefited from our high conviction, active positions. Other contributors to positive stock selection were Largan Precision in Taiwan and Scentre Group in Australia. We exited the position in Scentre Group in September on valuation grounds and similarly reduced the position sizes in both NetEase and Tencent in the same month given their strong relative performance.

In terms of portfolio activity, we highlighted the reduction in banking stocks across the portfolio in the first half of the year, in addition to the introduction of a number of names including City Developments in Singapore, Taiwan's President Chain Stores and Vietnam Dairy Products. In the second half of the year, we initiated a position in Sri Lankan conglomerate John Keells, which offers good value and generates strong cash

flow from its mature business in consumer foods and beverages, in addition to hotels and logistics, while it is increasing investments in the property sector. We initiated two positions in Korea with the acquisition of LG Household and Health and Hanssem to the portfolio, both of which have strong franchise positions and good growth prospects. Other transactions included our first China A share investment in Zhengzhou Yutong Bus, a leading new energy bus company in China. We maintain a focused portfolio of less than 40 companies and have maintained our quality tilt and as much valuation discipline as possible.

While the US presidential election has increased anxiety towards Asian markets in the near-term, the fundamental attractions of the region have not changed significantly. Asia remains a key driver of global growth with attractive demographics, huge consumption potential and much improved fiscal and current-account positions. Valuations remain attractive both relative to the region's own history and compared with other equity markets which offer much comfort for the long-term investor.

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 Asia Pacific Capital Growth Fund	37.6	(7.6)	4.2	13.8	2.5
MSCI All Country Asia Pacific (ex Japan) Index	37.0	(7.0)	4.7	12.2	7.3

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

30 April, 31 October

Payment dates

31 December

Ongoing charge figure

	2016 %	2015 %
Class A	1.75	1.73
Class C	0.62	0.60
Class I	0.90	0.89
Class Z	0.11	0.10
Class I USD	0.89	0.89*

*Class I USD launched on 10 April 2015

The annualised ongoing charge figure (OCF) of the fund, calculated as the ratio of the total ongoing charges to the average net asset value for twelve months.

The calculation is in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

Comparative tables

	Class A accumulation			Class C 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	692.34	749.71	716.42	478.48	512.27	485.36
Return before operating charges*	269.16	(44.41)	45.80	189.38	(28.94)	31.81
Operating charges	(13.46)	(12.96)	(12.51)	(5.18)	(4.85)	(4.90)
Return after operating charges*	255.70	(57.37)	33.29	184.20	(33.79)	26.91
Distributions on accumulation shares	(1.22)	(1.03)	(5.71)	(7.28)	(7.37)	(9.53)
Retained distributions on accumulation shares	1.22	1.03	5.71	7.28	7.37	9.53
Closing net asset value per share	948.04	692.34	749.71	662.68	478.48	512.27
* after direct transaction costs of:	1.67	1.77	4.26	1.81	1.91	4.59
Performance						
Return after charges	36.93%	(7.65%)	4.65%	38.50%	(6.60%)	5.54%
Other information						
Closing net asset value (\$'000s)	127,311	117,652	153,797	2,885	2,149	2,724
Closing number of shares	13,428,759	16,993,418	20,514,090	435,381	449,254	531,782
Operating charges	1.75%	1.73%	1.79%	0.62%	0.60%	0.65%
Direct transaction costs	0.22%	0.24%	0.61%	0.22%	0.24%	0.61%
Prices						
Highest share price (pence)	968.10	868.90	775.80	676.20	596.20	529.20
Lowest share price (pence)	638.80	612.60	651.50	442.90	422.50	441.50

Comparative tables (continued)

	Class I accumulation			Class Z 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	753.17	808.59	767.55	817.62	871.03	822.17
Return before operating charges*	295.26	(47.57)	48.62	320.79	(52.90)	49.38
Operating charges	(8.23)	(7.85)	(7.58)	(0.59)	(0.51)	(0.52)
Return after operating charges*	287.03	(55.42)	41.04	320.20	(53.41)	48.86
Distributions on accumulation shares	(10.11)	(7.79)	(10.51)	(557.10)	(20.05)	(620.49)
Retained distributions on accumulation shares	10.11	7.79	10.51	557.10	20.05	620.49
Closing net asset value per share	1,040.20	753.17	808.59	1,137.82	817.62	871.03
* after direct transaction costs of:	1.99	2.08	4.86	1.17	1.22	2.90
Performance						
Return after charges	38.11%	(6.85%)	5.35%	39.16%	(6.13%)	5.94%
Other information						
Closing net asset value (£000s)	59,089	43,936	35,151	9	199	581
Closing number of shares	5,680,580	5,833,524	4,347,218	767	24,359	66,737
Operating charges	0.90%	0.89%	0.95%	0.11%	0.10%	0.11%
Direct transaction costs	0.22%	0.24%	0.61%	0.22%	0.24%	0.61%
Prices						
Highest share price (pence)	1,062.00	940.70	835.70	1,161.00	1,017.00	899.20
Lowest share price (pence)	696.70	665.30	698.30	758.00	721.30	747.80

Comparative tables (continued)

	Class I USD accumulation	
	2016	2015
	(pence per share)	(pence per share)
Change in net assets per share		
Opening net asset value per share	548.67	682.43 ¹
Return before operating charges*	214.31	(128.67)
Operating charges	(5.48)	(5.09)
Return after operating charges*	208.82	(133.76)
Distributions on accumulation shares	(6.38)	(4.82)
Retained distributions on accumulation shares	6.38	4.82
Closing net asset value per share	757.50	548.67
* after direct transaction costs of:	1.34	1.35
Performance		
Return after charges	38.06%	(19.60%)
Other information		
Closing net asset value (£000s)	1	1
Closing number of shares	150	150
Operating charges	0.89%	0.89%
Direct transaction costs	0.22%	0.24%
Prices		
Highest share price (pence)	962.60	1,000.00
Lowest share price (pence)	734.80	761.90

¹ Class I USD accumulation was launched on 10 April 2015 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.

Major holdings

as at 2016	%
Samsung Electronics Preference Shares	6.82
Taiwan Semiconductor Manufacturing	6.39
Tencent Holdings	6.12
Housing Development Finance	5.37
AIA	4.94
CSL	4.12
Largan Precision	3.18
ITC	2.98
NetEase.com ADR	2.82
Ayala	2.77

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

Asset allocation	
as at 2016	%
India	24.03
Taiwan	16.01
China	15.33
South Korea	12.35
Hong Kong	9.08
Australia	6.04
Philippines	5.38
Singapore	3.64
Vietnam	2.20
Indonesia	1.85
Sri Lanka	1.85
Thailand	1.17
Other net assets	1.07
Total net assets	100.00

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

Report and accounts

This document is a short report of the Henderson Asia Pacific Capital Growth Fund for the year ended 31 October 2016.

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.

Issued by:

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Member of The Investment Association (formerly Investment Management Association) and authorised and regulated by the Financial Conduct Authority.
Registered in England No 2678531

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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.

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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 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 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.

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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