



ANNUAL SHORT REPORT

For the year ended
31 October 2016

Henderson
GLOBAL INVESTORS

**Henderson Institutional European
Enhanced Equity Fund**

Henderson Institutional European Enhanced Equity Fund

Short Report

For the year ended 31 October 2016

Investment Fund Manager

Henderson Multi Strategy Equities Team

Investment objective and policy

The fund aims to provide consistent capital growth relative to the FTSE World Europe ex UK Index (or such other index as may from time to time replace it) through investing primarily in European companies. There are no restrictions on the size of the companies in which the fund may invest.

The fund aims to provide an annual return above that of the FTSE World Europe ex UK Index, whilst controlling risk. The fund will invest primarily in European companies included within the FTSE World Europe ex UK Index. Additionally, the fund can invest in companies listed on other exchanges which are associated with FTSE World Europe ex UK Index listed shares or other European companies.

The fund will not attempt to replicate identically the share composition of the FTSE World Europe ex UK Index, and the Investment Fund Manager will actively review the shares within the portfolio, and effect adjustments as necessary in order to achieve the investment objective.

The fund may invest the property in transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

Risk and reward profile

The fund currently has 3 types of share class in issue; I accumulation, Y accumulation and Z accumulation. Each type of 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 more volatile than either bonds or money market instruments
- The fund invests in a broad range of securities and countries and uses a broad range of strategies.
- 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.

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.

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.

There have been no changes to the risk rating in the year.

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

The SRR1 conforms to the European Securities and Markets Authority guidelines for the calculation of the SRR1.

Investment review

The fund outperformed its benchmark over the year to October 2016, with all four strategies contributing positively to this outperformance.

The Liquidity strategy performed well, mainly driven by the higher discounts obtained on issuance in Europe given the pick-up in volatility (sharper fluctuations in prices). Activity levels were lower than usual as political events took focus. Compensating for this, however, we received a greater risk premium for taking on inventory, evidenced by the high hit rate achieved. We believe that the backlog of issuance is high; however, with notable political events on the near-term horizon, issuance windows may be short into the end of the year, seeing some transactions pushed into 2017. Notable contributions came from the initial public offering of Philips Lighting, which was priced at a very conservative valuation and proceeded to trade well in the aftermarket, outperforming by 12%.

Within the Fundamental strategy, our position in Norwegian insurer Storebrand benefited from further cost-cutting and the regulator's approval of the use of transition rules in the move towards Solvency II. With improved cost savings helping to boost the capital position, expectations are growing on the re-introduction of a dividend. We have been reducing the position into this strength. Arkema continued to make good progress with its self-help story and successful integration of Bostik, thus boosting free cash flow and leading to earnings upgrades throughout the year. Our long-term holding in Adidas saw a recovery in its Adidas and Reebok brands, along with the announcement of a new chief executive officer.

Given the strong performance and now high expectations on margin expansion, we exited the position. On the downside, Sanofi disappointed the market with weak sales guidance, particularly in the diabetes franchise.

The return from our Relative Value strategy was driven primarily by our convertible bond positions. The primary market was busy, as new debt issuers were attracted by the low interest rate environment. We participated in several deals, including video-game producer Ubisoft, which issued €400m worth of bonds, partially to fund a buy back in the stock. Geological data company Fugro was another profitable position, as the company improved the terms after sounding out investors. The standout performer from our mandatory bonds was the exchangeable issued by Spanish company Telefonica into Telecom Italia shares. The bond richened at the start of the year and we trimmed our position into this strength.

The Event Driven strategy had a positive year, with the bulk of gains coming from the merger arbitrage sub-strategy as a host of deals completed in the year. Mylan successfully completed the acquisition of Meda for \$7.2bn in a cash and stock deal, after previously failing back in 2014. This time, the deal had the full support of the Meda board and the two largest shareholders, Stena and Fidim. The deal closed after receiving all the required regulatory approvals and obtaining the 90% acceptance from Meda shareholders. On the downside, the Chinese bidders for Opera Software decided not to extend the deadline to seek all the required government clearances (the Committee on Foreign Investment in the United States and China's State Administration of Foreign Exchange) and therefore, the takeover collapsed. The consortium did, however, agree to buy some of Opera's assets for \$600m. Despite the collapse of the takeover, we decided to keep the position as we believe the valuation appeared inexpensive after the asset sale and capital return, with the shares having already recovered from the initial setback.

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 Institutional European Enhanced Equity Fund*	20.3	6.1	(0.5)	33.5	6.1
FTSE World Europe Dev ex UK Index**	18.9	5.2	(1.2)	32.5	5.2

Source: Henderson Global Investors & FTSE.

* Fund returns calculated using close of business prices on a gross asset value basis in GBP, based on performance of class Z accumulation.

** Customised net dividends reinvested (Market Capitalisation weighted index of Austria, Belgium/Luxembourg, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden and Switzerland). 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

30 June, 31 December

Ongoing charge figure

	2016 %	2015 %
Class I	0.80	0.80
Class Y	0.80	0.80
Class Z	0.04	0.05

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

Comparative tables

	Class I accumulation			Class Y 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	122.71	116.38	117.84	168.82	160.13	162.15
Return before operating charges*	25.11	7.32	(0.51)	34.55	10.06	(0.71)
Operating charges	(1.02)	(0.99)	(0.95)	(1.41)	(1.37)	(1.31)
Return after operating charges*	24.09	6.33	(1.46)	33.14	8.69	(2.02)
Distributions on accumulation shares	(3.25)	(2.90)	(2.69)	(4.47)	(3.99)	(3.69)
Retained distributions on accumulation shares	3.25	2.90	2.69	4.47	3.99	3.69
Closing net asset value per share	146.80	122.71	116.38	201.96	168.82	160.13
* after direct transaction costs of:	-	-	0.04	-	-	0.06
Performance						
Return after charges	19.63%	5.44%	(1.24%)	19.63%	5.43%	(1.25%)
Other information						
Closing net asset value (£000s)	11,041	9,163	11,969	51,569	43,107	40,887
Closing number of shares	7,520,677	7,466,611	10,284,671	25,534,280	25,534,280	25,534,280
Operating charges	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%
Direct transaction costs	0.00%	0.00%	0.04%	0.00%	0.00%	0.04%
Prices						
Highest share price (pence)	148.48	134.84	125.17	204.28	185.50	172.23
Lowest share price (pence)	110.48	114.26	107.09	151.99	157.19	147.32

Past performance is not a guide to future performance.

Comparative tables

	Class Z accumulation		
	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)
Change in net assets per share			
Opening net asset value per share	176.33	166.23	167.27
Return before operating charges*	35.95	10.19	(0.96)
Operating charges	(0.07)	(0.09)	(0.08)
Return after operating charges*	35.88	10.10	(1.04)
Distributions on accumulation shares	(5.79)	(5.23)	(4.84)
Retained distributions on accumulation shares	5.79	5.23	4.84
Closing net asset value per share	212.21	176.33	166.23
* after direct transaction costs of:	-	-	0.06

Performance

Return after charges	20.35%	6.08%	(0.62%)
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Other information

Closing net asset value (£000s)	371,655	361,602	372,487
Closing number of shares	175,136,923	205,076,932	224,083,048
Operating charges	0.04%	0.05%	0.05%
Direct transaction costs	0.00%	0.00%	0.04%

Prices

Highest share price (pence)	214.57	193.10	178.45
Lowest share price (pence)	159.01	163.78	152.91

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.

Major holdings

as at 2016	%
Nestlé	4.14
Novartis	3.20
Roche Holdings	2.98
Total	2.02
Anheuser-Busch InBev	1.71
Sanofi	1.66
Banco Santander	1.27
Novo Nordisk 'B'	1.26
Unilever	1.12
BNP Paribas	1.02

Major holdings

as at 2015	%
Nestlé	4.13
Novartis	3.43
Roche Holdings Genusschein	3.29
Sanofi	2.00
Total	1.75
Novo Nordisk 'B'	1.72
Anheuser-Busch InBev	1.64
Banco Santander	1.40
Telecom Italia Finance 6.125% 15/11/2016	1.23
UBS	1.23

Asset allocation	
as at 2016	%
France	21.92
Switzerland	20.60
Germany	8.28
Spain	7.36
Sweden	6.78
Netherlands	5.46
Italy	5.35
Denmark	4.11
Belgium	2.97
Finland	2.26
Norway	1.71
United Kingdom	1.67
Luxembourg	0.69
Austria	0.54
Portugal	0.35
Ireland	0.20
United States	0.20
Derivatives	0.20
Other net assets	9.35
Total net assets	100.00

Asset allocation	
as at 2015	%
France	21.30
Switzerland	20.62
Germany	10.09
Spain	7.79
Italy	7.60
Sweden	6.73
Netherlands	5.01
Denmark	3.93
Belgium	3.10
Finland	2.06
United Kingdom	1.88
Norway	1.47
Austria	0.85
Luxembourg	0.52
Ireland	0.37
Portugal	0.31
United States	0.24
Greece	0.10
Derivatives	0.57
Other net assets	5.46
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson Institutional European Enhanced Equity 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 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,
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Member of the Investment Association and
authorised and regulated
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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 Institutional European Enhanced Equity 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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