



Henderson  
GLOBAL INVESTORS

Henderson

# European Opportunities

Fund

**Short Report**

For the six months ended 31 December 2010

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# European Opportunities Fund

## Short Report

For the six months ended 31 December 2010

### Investment objective and policy

To aim to provide capital growth by investing in European companies, excluding the United Kingdom. The Fund is not restricted in the size of companies in which it can invest.

### Risk profile

This Fund invests in the equity securities of European companies and has exposure to market risk, foreign exchange risk and derivative risk which may affect the performance of the Fund.

### Manager's commentary

The last 6 months of 2010 have been strong for equity markets. At the start of the period fears over sovereign refinancing abated and positive developments for the European banking sector materialised in the form of better than expected stress test results. Earnings season also provided a bottom-up catalyst as numbers in both the US and Europe were broadly ahead of consensus. The decision by the Fed to undertake additional stimulus in response to a deterioration in economic conditions also helped to move markets higher.

Sovereign debt worries re-emerged in November as Ireland was forced to take a bailout amid funding fears of its financial system. Speculation remains that Portugal will be next to require support, with Spain potentially not long after. Despite this markets continued upward in the final month of the year.

The Fund's performance has been disappointing over the period. Our underweight in Basic Materials was detrimental to performance as the second round of US stimulus fuelled a commodity led rally. Most of the underperformance however, can be attributed to two stocks; CRH and Bank of Ireland. Having updated the market in July, CRH management was forced only a month later to downgrade the outlook for 2010 and the stock fell significantly. As a global industry leader trading at

a discount to net asset value we decided to keep our holding and we saw the share price recover toward the end of the year. We participated in Bank of Ireland's capital raise in April as we felt it would be able to take advantage of being the only viable lender in Ireland. Unfortunately, we underestimated the extent of the undercapitalisation of the broader financial sector in the country and the resulting bailout that would be forced upon it from European politicians. Elsewhere in the portfolio there were some notable positives. Noreco was one of the Fund's stronger performers as oil went above US\$90 a barrel and the company announced it had appointed two banks to assist with a strategic review designed to realise shareholder value. Dufry also posted strong gains as the company continues to benefit from strong growth in global passenger numbers, especially in emerging economies.

New positions include SGS, Royal Dutch Shell and, more recently, Atlas Copco. With prices of base metals staying strong and the cash flow of mining companies robust, we believe that Atlas will be the ultimate beneficiary of the equipment investment that will surely follow.

European equity markets faced a variety of demons in 2010 and still delivered healthy returns. We expect the early part of 2011 will be more of the same – steadily improving economic and corporate newsflow punctuated by episodes of risk aversion surrounding indebted governments and their ability to make tough decisions. Overall we expect the balance to come out positive but volatile.

## Discrete annual performance

	1 Jan 10- 31 Dec 10 %	1 Jan 09- 31 Dec 09 %	1 Jan 08- 31 Dec 08 %	1 Jan 07- 31 Dec 07 %	1 Jan 06- 31 Dec 06 %
Henderson European Opportunities Fund	(3.2)	21.5	(28.3)	11.3	16.3
FTSE World Europe (ex-UK) Index	5.8	20.1	(24.0)	15.7	20.1

Source: Morningstar - mid to mid excluding initial charges with net revenue reinvested for a basic rate taxpayer. Figures in brackets are negative.

## Summary of Fund performance

Share class	Net asset value 31/12/10 p	Net asset value 30/06/10 p	Net asset value % change
Class A accumulation	1,722.64	1,521.84	13.19
Class I accumulation	1,816.89	1,599.53	13.59

## Fund facts

<b>Accounting dates</b>	<b>Payment dates</b>	
30 June, 31 December	31 August	
<b>Total expense ratio</b>	<b>31/12/10</b>	<b>30/06/10</b>
	%	%
Class A income	1.76	1.75
Class I income	1.09	1.17
The TER of the Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.		
<b>Portfolio turnover rate</b>	<b>31/12/10</b>	<b>30/06/10</b>
	%	%
	71.00	103.00
The PTR of the Fund is the ratio of the Fund's transactions to its average net assets for twelve months.		

## Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
<b>Class X accumulation</b>			
2006	-	1,807.20	1,483.10
2007	1.98	2,039.70	1,765.90
2008	12.59	2,017.40	1,121.30
2009	23.19	1,787.00	1,123.30
2010	-	1,768.40	1,726.70**
<b>Class A accumulation</b>			
2006	3.66	1,863.10	1,525.10
2007	13.24	2,111.40	1,822.50
2008	23.10	2,094.60	1,166.80
2009	31.54	1,868.50	1,171.00
2010	24.55	1,870.70+	1,504.10+
2011	-*	-	-
<b>Class I accumulation</b>			
2006	12.78	1,922.40	1,570.80
2007	24.11	2,187.50	1,882.50
2008	33.85	2,176.50	1,215.20
2009	41.70	1,955.30	1,221.80
2010	39.37	1,962.80+	1,580.90+
2011	-*	-	-

\* to 28 February.

+ to 31 December.

\*\* X share class merged with A share class on 11 January 2010.

**Past performance is not a guide to future performance.**

## Major holdings

31/12/10	%
Novartis	4.07
Fresenius	4.00
Royal Dutch Shell 'A'	3.81
France Telecom	3.72
StatoilHydro	3.65
SES	3.54
Total	3.46
Deutsche Telekom	3.31
Sanofi-aventis	3.21
Roche	3.13

## Asset allocation

31/12/10	%
France	22.32
Germany	16.25
Switzerland	16.19
Netherlands	10.25
Norway	8.56
Ireland	8.06
Greece	5.04
Italy	4.16
Sweden	3.39
Spain	2.03
Finland	1.03
Net other assets	2.72
<b>Total</b>	<b>100.00</b>

## Major holdings

30/06/10	%
Deutsche Telekom	3.77
SES	3.76
CRH	3.75
Novartis	3.74
Fresenius	3.44
Heineken	3.35
StatoilHydro	3.30
Roche	3.28
Total	3.27
ASM Lithography	3.15

## Asset allocation

30/06/10	%
France	23.55
Germany	16.44
Switzerland	14.73
Netherlands	11.36
Ireland	10.31
Norway	5.73
Italy	5.07
Greece	4.18
Denmark	2.36
Russia	1.35
Spain	0.95
Net other assets	3.97
<b>Total</b>	<b>100.00</b>

## Report and accounts

This document is a short report of the Henderson European Opportunities Fund for the six months ended 31 December 2010.

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 investor services on the telephone number provided.

### Issued by:

Henderson Investment Funds Limited  
Registered office:  
201 Bishopsgate,  
London EC2M 3AE  
Member of the IMA and authorised and regulated  
by the Financial Services Authority.  
Registered in England No 2678531

### Depository

The Royal Bank of Scotland plc  
Trustee & Depository Services  
The Broadstone  
50 South Gyle Crescent  
Edinburgh EH12 9UZ

## 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 period it covers and the results of those activities at the end of the period.

### 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.

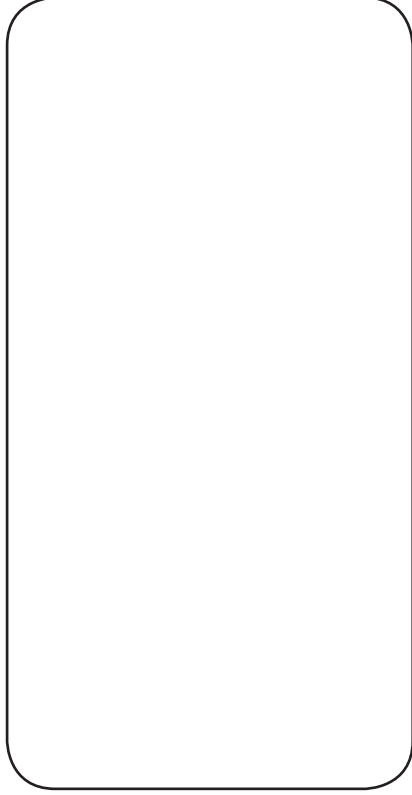
### Auditor

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## Contact us

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### Changes of address - regulatory requirements

FSA regulation requires us to send this report mailing to the address held on file on the ex-dividend date of 31 December 2010. 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 European Opportunities 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 plc (reg. no. 2607112), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795354), Henderson Alternative Investment Advisor Limited (reg. no. 962757) and Henderson Equity Partners Limited (reg. no. 2606646) (each incorporated and registered in England and Wales with registered office at 201 Bishopsgate, London EC2M 3AE and authorised and regulated by the Financial Services Authority) provide investment products and services. Telephone calls may be recorded and monitored.

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

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