



ANNUAL SHORT REPORT

For the year ended
31 July 2016

Henderson
GLOBAL INVESTORS

Henderson Cautious Managed Fund

Henderson Cautious Managed Fund

Short Report

For the year ended 31 July 2016

Investment Fund Managers

Chris Burvill, John Pattulo and Jenna Barnard

Investment objective and policy

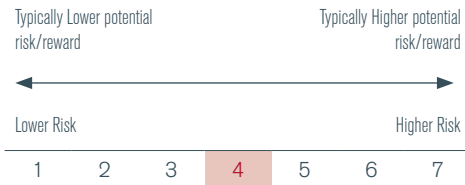
To provide a combination of income and long-term capital growth. Investment will be in a diversified portfolio of equities, bonds and other related investments. At all times the investment in equities will be limited to a maximum of 60% of the value of the fund's portfolio.

The fund may also invest at the ACD's discretion in other transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes (use may be made of stock lending, borrowing, cash holdings, hedging and other investment techniques permitted in applicable FCA Rules).

Risk and reward profile

The fund currently has 10 types of share class in issue; A accumulation, A income, C accumulation, I accumulation, I income, M accumulation, M income, A EUR (hedged) accumulation, I EUR (hedged) accumulation and I USD (hedged) accumulation.

The risk and reward profile of each type of share class is as follows:



The Synthetic Risk and Reward Indicator (SRRRI) is calculated based on historical volatility over a rolling 5 year period¹, it is reviewed monthly and updated if volatility has changed materially to cause a movement in the SRRRI level. The SRRRI is an indicator and may not accurately reflect future volatility and market conditions.

¹ Class A EUR (hedged) accumulation, I EUR (hedged) accumulation launched on 4 March 2015 and I USD (hedged) accumulation launched on 11 August 2014, as they do not have a 5 year history, a synthetic history has been created using the fund's relevant sector average.

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 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. 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.

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.

Default risk The issuers of certain bonds could become unable to make payments on their bonds. The risk of default may be higher where the fund invests in sub-investment grade bonds.

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 for all share classes except for I USD (hedged) accumulation which has changed from 5 to 4 in the year.

The SRRRI conforms to the ESMA guidelines for the calculation of the SRRRI.

Investment review

Had anyone forecast in late January that the UK would vote to leave the European Union, causing political upheaval and a collapse in sterling, and then predicted an accompanying rise in the FTSE 100 Index of a little over 10%, even the most bullish of observers might have blinked a couple of times. But hindsight makes this seemingly extraordinary outcome much more explainable. The combination of a further lurch down in bond yields (yields move inversely to prices) and the sudden upward revaluation of overseas assets, or earnings, reminds us what markets are most concerned with. Any fears about the outlook for the domestic economy have been relegated to the back burner for the time being. This rally allowed the fund to produce a small positive return for the 12 months to 31 July of 1.8%. The peer group, however, returned 5.5%, meaning that the fund ranked in the 86 percentile. Although this was disappointing, a large element is down to our structural emphasis on UK assets, in particular hedging all overseas holdings back into sterling.

The overall environment for equities has reflected the widely held cautious economic view. Global economies and cyclical shares have struggled for the most part, while those stocks regarded as bond proxies, particularly consumer staples, have reached earnings multiples touched only fleetingly in the past. Our best performances came from within this group – Imperial Brands, Astra Zeneca, and RPC Group – although not holding some other large consumer stocks such as Diageo, SAB Miller, and British American Tobacco (in particular) was expensive. The more value-oriented recovery stocks such as Marks & Spencer and Barclays continued to struggle, although the strong returns from shares including Reed Elsevier and Sage remind us that

our best long-term performances tend to come from recovery situations that turn into market favourites.

Adjustments to the portfolio aimed to intensify our holdings in value situations. Opportunities came to add to existing holdings Barclays, British Land and SIG Group, while new positions were taken in Capita, Victrex and Daily Mail, the last of these being partly funded by a reduction in Informa, which has performed very strongly in the last two years. The main sales came from stocks that came close to their longer term valuation targets, most notably National Grid, whose strong re-rating left it trading at a large premium to its asset base. We took the opportunity to switch into the group's long term debt, giving a small yield uplift and more capital protection.

Bond markets themselves have been strong all year, with the yield on 10-year gilts falling from close to 2% to the current levels of just over 0.5%. Towards the end of the year, we took the opportunity to lighten our weightings and reduce duration further. We fully recognise both the underlying support provided by central bank bond buying and the ongoing desire to hold seemingly risk free assets. Our concern is that little allowance is being made for either an uptick in the economy (raising real yields) or a rise in inflation, to which the UK economy is particularly vulnerable after sterling's sharp fall. We have, therefore, been happy to maintain our index linked positions, mainly in UK and US government index linked, but also in selected corporate debt. During the year, there have been several setbacks in the corporate debt market, particularly financial debt, and we have been willing to take occasional shorter term opportunities to benefit from this, an example being long dated Prudential bonds, which fell sharply early in 2016.

The 'Brexit' result was a setback, both for sterling and the longer-term outlook for the domestic economy. But the direct effects on the equity market are not substantial. As has now been widely recognised, international stocks are relatively immune, while many domestically oriented stocks have already reached valuation levels that largely discount these worries. Sterling's fall has attracted the attention of international corporate buyers and inbound tourism, so we might even point to some shorter-term benefits. The most important question will be whether interest rates start to rise over the year ahead. While that would most likely lead to weakness in our conventional bond holdings, we are hopeful that the fund overall would not be adversely affected.

Investment review (continued)

Some general investor switching from bonds into equities would be a benefit, as would switching within equities away from defensives into financials, recovery stocks or groups perceived to have some inflation protection.

Although the last year has produced a weaker relative performance from the fund, we hope that a good number of the headwinds over the year may now start to abate.

Performance summary

	31 Jul 15- 31 Jul 16 %	31 Jul 14- 31 Jul 15 %	31 Jul 13- 31 Jul 14 %	31 Jul 12- 31 Jul 13 %	31 Jul 11- 31 Jul 12 %
Henderson Cautious Managed Fund	1.8	3.5	5.3	17.4	3.2
Mixed Investment 20-60% Shares Sector Average	5.5	5.0	4.1	11.2	1.4

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

Benchmark values are as at close of business.

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	Payment dates
31 January, 31 July	31 March, 30 June, 30 September, 31 December (Except Class M) For Class M: 31 August, 30 September, 31 October, 30 November, 31 December, 31 January, Last day of February, 31 March, 30 April, 31 May, 30 June and 31 July

Ongoing charge figure

	2016 %	2015 %
Class A	1.45	1.44
Class C	0.57	0.56
Class I	0.72	0.71
Class M	1.70	1.69

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 as at 31 July 2016

	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	242.71	233.15	222.00	652.95	622.88	589.18
Return before operating charges*	7.44	13.02	14.45	18.24	33.67	37.11
Operating charges	(3.43)	(3.46)	(3.30)	(3.63)	(3.60)	(3.41)
Return after operating charges*	4.01	9.56	11.15	14.61	30.07	33.70
Closing net asset value per share	246.72	242.71	233.15	667.56	652.95	622.88
Retained distributions on accumulation shares	7.55	6.90	7.30	20.99	19.17	20.16
* after direct transaction costs of:	0.18	0.23	0.25	0.49	0.61	0.66
Performance						
Return after charges	1.65%	4.10%	5.02%	2.24%	4.83%	5.72%
Other information						
Closing net asset value (£000s)	642,552	943,367	988,053	41,301	42,961	44,777
Closing number of shares	260,438,030	388,677,797	423,792,516	6,186,916	6,579,479	7,188,611
Operating charges	1.45%	1.44%	1.44%	0.57%	0.56%	0.56%
Direct transaction costs	0.08%	0.10%	0.11%	0.08%	0.10%	0.11%
Prices						
Highest share price (pence)	247.30	250.00	236.70	669.10	670.80	630.60
Lowest share price (pence)	223.50	226.60	220.20	602.70	605.30	583.30

Comparative tables (continued)

	Class I accumulation			Class M 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	214.81	205.18	194.19	129.14	124.48	118.77
Return before operating charges*	6.36	11.14	12.45	4.21	6.83	7.78
Operating charges	(1.51)	(1.51)	(1.46)	(2.14)	(2.17)	(2.07)
Return after operating charges*	4.85	9.63	10.99	2.07	4.66	5.71
Closing net asset value per share	219.66	214.81	205.18	131.21	129.14	124.48
Retained distributions on accumulation shares	6.86	6.27	6.58	3.87	3.63	3.86
* after direct transaction costs of:	0.16	0.20	0.22	0.10	0.12	0.13
Performance						
Return after charges	2.26%	4.69%	5.66%	1.60%	3.74%	4.81%
Other information						
Closing net asset value (£000s)	1,006,802	745,781	399,495	1,957	8,400	9,001
Closing number of shares	458,338,028	347,177,377	194,706,006	1,491,684	6,504,463	7,231,316
Operating charges	0.72%	0.71%	0.72%	1.70%	1.69%	1.69%
Direct transaction costs	0.08%	0.10%	0.11%	0.08%	0.10%	0.11%
Prices						
Highest share price (pence)	220.20	221.10	208.10	131.50	133.30	126.60
Lowest share price (pence)	198.40	199.60	192.70	118.90	121.00	117.90

Comparative tables (continued)

	Class A income			Class I income		
	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	152.33	150.63	148.26	122.75	120.79	118.28
Return before operating charges*	3.44	8.27	9.31	2.61	6.45	7.31
Operating charges	(2.12)	(2.19)	(2.16)	(0.85)	(0.87)	(0.87)
Return after operating charges*	1.32	6.08	7.15	1.76	5.58	6.44
Distributions on income shares	(4.65)	(4.38)	(4.78)	(3.84)	(3.62)	(3.93)
Closing net asset value per share	149.00	152.33	150.63	120.67	122.75	120.79
* after direct transaction costs of:	0.11	0.15	0.16	0.09	0.12	0.13
Performance						
Return after charges	0.87%	4.04%	4.82%	1.43%	4.62%	5.44%
Other information						
Closing net asset value (£000s)	148,057	225,990	263,091	288,787	199,915	100,993
Closing number of shares	99,365,674	148,355,827	174,662,204	239,315,491	162,868,222	83,608,048
Operating charges	1.45%	1.44%	1.44%	0.72%	0.71%	0.72%
Direct transaction costs	0.08%	0.10%	0.11%	0.08%	0.10%	0.11%
Prices						
Highest share price (pence)	152.40	157.80	152.90	122.80	127.00	122.50
Lowest share price (pence)	137.50	145.30	145.80	111.10	116.70	116.30

Comparative tables (continued)

	Class M income		
	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)
Change in net assets per share			
Opening net asset value per share	115.78	114.71	113.04
Return before operating charges*	3.21	10.22	7.25
Operating charges	(1.89)	(5.78)	(1.94)
Return after operating charges*	1.32	4.44	5.31
Distributions on income shares	(3.59)	(3.37)	(3.64)
Closing net asset value per share	113.51	115.78	114.71
* after direct transaction costs of:	0.09	0.33	0.12
Performance			
Return after charges	1.14%	3.87%	4.70%
Other information			
Closing net asset value (£000s)	12,420	27,547	33,916
Closing number of shares	10,942,191	23,792,319	29,567,064
Operating charges	1.70%	1.69%	1.69%
Direct transaction costs	0.08%	0.10%	0.11%
Prices			
Highest share price (pence)	116.30	120.10	117.20
Lowest share price (pence)	104.80	110.60	111.20

Comparative tables (continued)

	Class A EUR (hedged) accumulation		Class I EUR (hedged) accumulation	
	2016 (pence per share)	2015 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share				
Opening net asset value per share	704.37	727.63 ¹	706.77	727.63 ²
Return before operating charges*	153.21	(12.85)	153.49	(20.12)
Operating charges	(10.65)	(10.41)	(5.40)	(0.74)
Return after operating charges*	142.56	(23.26)	148.09	(20.86)
Closing net asset value per share	846.93	704.37	854.86	706.77
Retained distributions on accumulation shares	23.83	10.05	24.64	10.28
* after direct transaction costs of:	0.57	0.69	0.58	0.10
Performance				
Return after charges	20.24%	(3.20%)	20.95%	(2.87%)
Other information				
Closing net asset value (£000s)	2	2	11	2
Closing number of shares	258	252	1,282	251
Operating charges	1.45%	1.44%	0.72%	0.71%
Direct transaction costs	0.08%	0.10%	0.08%	0.10%
Prices				
Highest share price (EUR cents)	1,008.00	1,025.00	1,017.00	1,026.00
Lowest share price (EUR cents)	912.70	980.30	918.00	982.30

¹ Class A EUR (hedged) accumulation launched on 4 March 2015 and this is the first published price.

² Class I EUR (hedged) accumulation launched on 4 March 2015 and this is the first published price.

Comparative tables (continued)**Class I USD (hedged) accumulation**

	2016 (pence per share)	2015 (pence per share)
Change in net assets per share		
Opening net asset value per share	672.50	595.67 ³
Return before operating charges*	142.85	81.68
Operating charges	(5.09)	(4.85)
Return after operating charges*	137.76	76.83
Closing net asset value per share	810.26	672.50
Retained distributions on accumulation shares	13.87	19.04
* after direct transaction costs of:	0.55	0.65
Performance		
Return after charges	20.48%	12.90%
Other information		
Closing net asset value (£000s)	3,377	1,170
Closing number of shares	416,830	174,047
Operating charges	0.72%	0.71%
Direct transaction costs	0.08%	0.10%
Prices		
Highest share price (USD cents)	1,078.19	1,079.00
Lowest share price (USD cents)	967.39	976.60

³ Class I USD (hedged) accumulation launched on 11 August 2014 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	%
Royal Dutch Shell 'B'	3.09
AstraZeneca	2.74
Vodafone	2.41
US Treasury 0.125% Index-Linked 15/07/2024	2.34
HSBC Holdings	2.32
UK Treasury 1.875% Index-Linked 22/11/2022	1.99
Smith & Nephew	1.79
Imperial Tobacco	1.78
BT	1.73
BP	1.68

Asset allocation

as at 2016	%
Equities	52.27
Bonds	31.39
Derivatives	0.03
Other net assets	16.31
Total net assets	100.00

Major holdings

as at 2015	%
HSBC Holdings	2.97
AstraZeneca	2.30
Barclays Bank	2.23
Royal Dutch Shell 'B'	2.18
BP	1.93
Imperial Tobacco	1.92
UK Treasury 2.5% Index-Linked 26/07/2016	1.89
UK Treasury 1.875% Index-Linked 22/11/2022	1.84
US Treasury 0.125% Index-Linked 15/07/2024	1.84
Vodafone	1.79

Asset allocation

as at 2015	%
Equities	52.63
Bonds	32.31
Derivatives	0.04
Other net assets	15.02
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson Cautious Managed Fund for the year ended 31 July 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

Shareholder Administrator

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

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

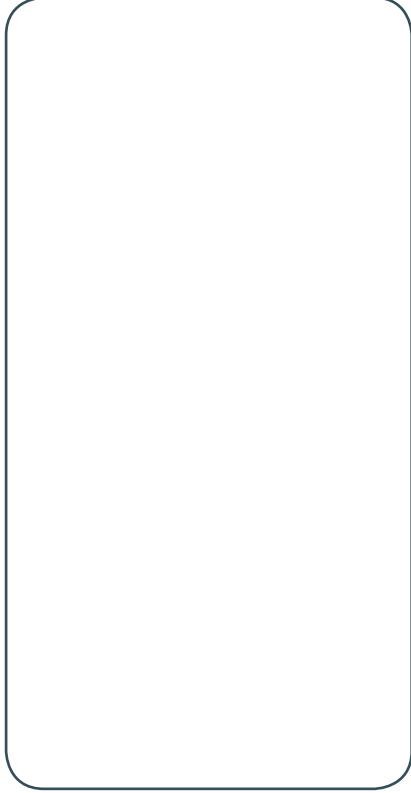
Depository

National Westminster Bank plc
135 Bishopsgate
London
EC2M 3UR

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 31 July 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 Cautious Managed 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.

HGI/44459/0716