



INTERIM SHORT REPORT

For the six months ended
30 November 2016

Henderson
GLOBAL INVESTORS

Henderson European Selected Opportunities Fund

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Short Report

For the six months ended 30 November 2016

Investment Fund Managers

John Bennett and Asim Rahman

Investment objective and policy

The fund aims to achieve a long-term return, in excess of the long-term return that is typically achieved from European equity markets, by investing in companies having their registered office in Europe and companies that do not have their registered office in Europe but either (i) carry out a predominant proportion of their business activity in these markets, or (ii) are holding companies which predominantly own companies with registered offices in Europe.

The fund will invest in companies of any market capitalisation.

The return will be a combination of capital and income returns.

The fund may also invest at the Manager'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 stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in applicable FCA Rules).

Risk and reward profile

The fund currently has 4 types of share class in issue:

A accumulation, C accumulation, I accumulation and I income.

The risk and reward profile of each type of share class 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.

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.

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 period.

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

Investment review

Over the six months to 30 November 2016 the fund's NAV rose by 10.9% in line with its benchmark index FTSE Europe excluding UK (GBP).

In our view, 2016 was all about investor positioning (and subsequent unwinding of positions). One of the factors that has made this year so challenging for many active managers was the rapid sector and stock rotation. While the market, as measured by the Euro Stoxx 50 index, plunged in February, rallied and has subsequently spent the rest of the year going nowhere, the key theme has arguably been investor positioning.

Following the Brexit referendum and the US presidential election, markets will now move on to the next 'domino' in this political sequence: the Italian referendum (not forgetting forthcoming elections in Austria, Netherlands, France and Germany). This will most likely mean that volatility (sharp fluctuations in prices) will remain high.

Positive sector contributors to performance over the period were financials and utilities, while laggards included healthcare and basic materials.

While always wary of style labels, we believe that we are at the beginning of a major change in market leadership. For the best part of a decade investors have found comfort in so-called 'quality growth' stocks, prime examples being staples and other 'safe' businesses. The powerful boost that such stocks have received in the form of ever lower interest rates looks to have ended and, for the first time since the crisis of 2009, we believe, we have a chance of moving from a growth to a value market.

In our opinion, the most important sector as we move into 2017 is something we have not favoured for the past decade: financials. We believe we are approaching the end of a decade-long bear market for banks, as a combination of rehabilitated capital ratios and an inflection in interest rates makes the industry investable again. It will be a volatile ride, not least given the European political agenda for the year ahead, but we will seek to hold on. Hence, we added positions in KBC, ING, Danske Bank and BNP Paribas among others.

In terms of other activity, we took a position in chemicals distributor Brenntag as we believe there is reason to become more optimistic based on leading indicators and trends within the industry. Speciality chemical company BASF was introduced, and we also added German capital goods company Siemens, which is delivering organic growth well ahead of its peers and is trading at a discount to its sector. With the exit from lighting now underway, Philips finally appears to be serious about its transformation into a more focused, health-centric company. While we would like management to streamline the business further, we see enough to warrant initiation of a position across our portfolios. On the belief that the luxury sector is at a turning point, we introduced LVMH, whose valuation looks attractive on an absolute and relative basis. Finally, we took a position in auto parts manufacturer Michelin, which has an undemanding valuation and further self-help potential.

The principal detractor for our portfolio in the last year was the pharmaceutical sector, with Novartis and Roche in particular having a very poor year. We have reduced holdings across the sector. Since our decision to favour this industry in the spring of 2010, it has yielded ample reward. But the past year has seen it stall. Much of this can be attributed to the electioneering of the US presidential candidates, with Hillary Clinton particularly vulnerable on the sector. To dismiss the debate on drug pricing as wholly irrelevant would be a mistake. Our analysis tells us that the direction of travel is indeed to a tougher pricing environment but – and it is an important

Investment review (continued)

'but' – those companies discovering and launching drugs that meet unmet clinical needs will secure their patents, their pricing and their future. Within healthcare, by far the biggest disappointment over the period was Bayer. We engaged actively with Bayer's management in an effort to persuade them to call off the acquisition of Monsanto but, alas, to no avail. We therefore reduced the holding.

Adidas has proven an excellent performer and we took the opportunity to book profit. We also took some profit on Dutch food retailer Ahold Delhaize, and worldwide catering and support services provider Compass Group. Other disposals included healthcare stocks AstraZeneca and GlaxoSmithKline, and telecommunication companies Orange and Telecom Italia.

Key themes in 2017 will be determined by whether we are correct in our view that equities are moving from a growth to a value market. This may finally bring US equity outperformance in line with other parts of the world, since the value markets of the world are more Europe and Japan than they are the US. Thus, there may be an asset allocation shift to come. The thing that holds us back from having 'high conviction' is that the political upheavals in 2016 – Brexit and the election of Donald Trump – are now moving to Europe, and that will be trickier: Europe is not one nation, it's a currency bloc. Political risk holds us back from saying that relative to the US, Europe is now a 'buy'. Nevertheless, we will get through that political risk, and that is precisely what may well create the opportunity to buy unpopular Europe.

Performance summary

	Six months 31 May 16- 30 Nov 16 %	One year 30 Nov 15- 30 Nov 16 %	Five years 30 Nov 11- 30 Nov 16 %	Since launch 31 Aug 84- 30 Nov 16 %	
Cumulative performance					
Henderson European Selected Opportunities Fund	10.9	9.1	87.4	5,945.7	
FTSE World Europe ex UK Index	10.9	121	71.5	n/a*	
	30 Nov 15- 30 Nov 16 %	30 Nov 14- 30 Nov 15 %	30 Nov 13- 30 Nov 14 %	30 Nov 12- 30 Nov 13 %	30 Nov 11- 30 Nov 12 %
Discrete performance					
Henderson European Selected Opportunities Fund	9.1	3.6	7.3	27.5	21.2

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.

*Benchmark return is not quoted as the fund inception date is earlier than the benchmark inception date.

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* 30/11/16 p	Net asset value* 31/05/16 p	Net asset value % change
Class A accumulation	1,400.59	1,271.93	10.12
Class C accumulation	1,545.43	1,395.54	10.74
Class I accumulation	1,510.41	1,366.16	10.56
Class I income	179.06	161.96	10.56

* 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.

Fund facts

Accounting dates	Payment dates
30 November, 31 May	31 January, 31 July

Ongoing charge figure

	30/11/16 %	31/05/16 %
Class A	1.70	1.71
Class C	0.57	0.57
Class I	0.85	0.85

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).

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2012	10.50	930.44	737.83
2013	10.53	1,180.00	931.30
2014	5.68	1,247.00	1,092.00
2015	7.79	1,388.00	1,184.00
2016	10.61	1,500.00 +	1,162.00+
2017	—*	—	—
Class C accumulation			
2012	21.06	981.75	773.30
2013	23.06	1,259.00	982.84
2014	20.57	1,346.00	1,177.00
2015	24.46	1,504.00	1,279.00
2016	29.41	1,652.00 +	1,271.00+
2017	0.45*	—	—
Class I accumulation			
2012	16.38	968.22	764.15
2013	20.16	1,239.00	969.25
2014	18.08	1,322.00	1,156.00
2015	20.87	1,475.00	1,256.00
2016	25.25	1,616.00 +	1,245.00+
2017	—*	—	—
Class I income			
2012	2.21	122.51	96.75
2013	2.62	154.00	122.64
2014	2.25	162.00	141.70
2015	2.56	180.80	153.90
2016	3.05	191.50 +	150.40+
2017	—*	—	—

* to 31 January.

+ to 30 November.

Past performance is not a guide to future performance.

Revenue distribution

Share class	30/11/16 p	30/11/15 p
Class A accumulation	–	–
Class C accumulation	0.45	–
Class I accumulation	–	–
Class I income	–	–

Total dividend distributions for the six months ended 30 November 2016, comparison is for the same period last year.

Dividend distributions paid to shareholders after 6 April 2016 are paid gross as the government has abolished the dividend tax credit.

Major holdings	
as at 30/11/16	%
Novartis	4.70
Roche Holdings	4.20
Autoliv	3.86
Nestlé	3.73
SAP	3.40
Nordea Bank	3.28
KBC Bank	2.85
DNB	2.83
ING	2.58
RELX	2.46

Major holdings	
as at 31/05/16	%
Novartis	8.54
Roche Holdings	8.04
Autoliv	4.67
Nestlé	4.03
Henkel KGaA Vorzug Non-Voting Preference	3.41
Fresenius	3.08
RELX	2.99
Total	2.94
Ahold	2.79
Nordea Bank	2.74

Asset allocation	
as at 30/11/16	%
France	17.19
Germany	16.96
Switzerland	15.65
Sweden	13.98
Netherlands	8.53
Denmark	3.70
Belgium	3.69
Spain	3.44
Norway	3.29
United Kingdom	2.97
Portugal	2.44
Italy	1.43
Finland	1.28
Ireland	1.23
Derivatives	0.03
Other net assets	4.19
Total net assets	100.00

Asset allocation	
as at 31/05/16	%
Switzerland	24.54
Germany	18.44
France	12.64
Sweden	12.01
United Kingdom	9.48
Netherlands	5.09
Norway	3.52
Denmark	3.08
Italy	2.86
Finland	2.29
Spain	1.92
Portugal	1.18
Ireland	1.09
Belgium	0.99
Other net assets	0.87
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson European Selected Opportunities Fund for the six months ended 30 November 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 period it covers and the results of those activities at the end of the period.

Issued by:

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Member of The Investment Association and authorised and regulated by the Financial Conduct Authority.
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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 30 November 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 European Selected Opportunities 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: 34Y

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

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