

# INTERIM SHORT REPORT

For the six months ended  
30 November 2013

**Henderson Multi-Manager Diversified Fund**

# Henderson Multi-Manager Diversified Fund

## Short Report

For the year ended 30 November 2013

### Fund Manager

Henderson Multi-Asset team

### Investment objective and policy

To achieve long term total return (capital growth with income) through a diverse portfolio of both UK and overseas investments.

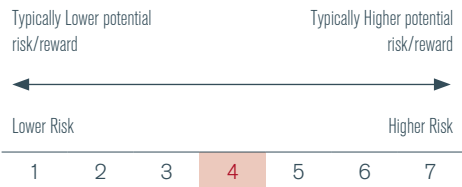
The Fund will maintain a low level of exposure to equities. The Fund will invest in units/shares of collective investment schemes, transferrable securities, money market instruments, deposits, cash and near cash. Derivatives and forward foreign exchange contracts may be used to achieve the investment objective and for the purposes of Efficient Portfolio Management.

### Other information

With effect from 1 April 2013, The Financial Services Authority (FSA) was replaced by the Financial Conduct Authority (FCA).

### Risk and reward profile

The Fund currently has 4 types of unit in issue; Class A accumulation, Class A income, Class B accumulation and Class I income. Each type of unit has the same risk and reward profile which is as follows:



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, or otherwise gains exposure to, a mix of different asset classes
- Fluctuations in exchange rates may cause the value of your investment to rise or fall

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 rating does not reflect the possible effects of unusual market conditions or large unpredictable events which could amplify everyday risk and trigger other risks such as:

**Counterparty risk** The Fund could lose money if an entity with which it interacts becomes unwilling or unable to meet its obligations to the Fund.

**Derivatives risk** Certain derivatives could behave unexpectedly or could expose the Fund to losses that are significantly greater than the cost of the derivative.

**Focus risk** The Fund's value may fall where it has concentrated exposure to an issuer or type of security that is heavily affected by an adverse event.

**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 Warnings" section of the Fund's prospectus.

## Fund Manager's commentary

In the six months ended 30 November 2013, the Henderson Multi-Manager Diversified Fund rose 1.7% while the IMA Mixed Investment 0-35% sector fell (0.4)%. By comparison, the FTSE All-Share Index Total Return gained 3.9% and UK government bonds were down (5.48)%, as measured by the Citigroup World Government Bond Index UK All Maturities while corporate bonds fell (1.53)%, as measured by iShares Markit Iboxx £ Corporate Bond.

Heading into the year-end, global equity markets and high yield corporate bonds sustained an upward momentum in the period under review resulting in strong gains for the year, despite a backdrop characterised by sub-par global economic growth and low corporate earnings growth. Confidence has, therefore, been driven by expectations rather than fundamentals amid political change and monetary stimulus from the major central banks. More recently, with the US Federal Reserve almost certain to deliver on its promise to withdraw monetary stimulus in the coming months, equity markets have succumbed to bouts of indigestion while government bond yields have risen (prices fallen) in anticipation of a pick-up in the rate of economic growth. Furthermore, with many investors reducing bond exposure, some are questioning who will compensate for the effects of central bank tapering of bond purchases.

Against a backdrop that was generally positive for equities and negative for bonds, it is pleasing to report that the Fund still achieved a positive return despite a mandatory low exposure to equities. As noted earlier, the peer group average posted a negative return over the period.

In terms of performance attribution, it goes without saying that the Fund's holdings in equities provided the greatest contribution to investment returns. In addition, within equities the Fund has benefited from good underlying stock selection skills. For example, the Fund's holding in Miton UK Value Opportunities, is among the top ten best performing UK funds for the year. Within the larger fixed income portfolio, knowing what not to own has been just as important as knowing what to own. Specifically, the near absence of government bonds avoided a significant headwind during the period. We have long felt that

the prospective returns from government bonds were unattractive and have instead favoured diversification across a broad portfolio of high yield bonds, senior loans and specialist bond funds and/or managers.

Investment activity largely reflects two key trends during the period. The first involved investing unit holder inflows, which has been a much welcomed development. Secondly, the Fund continued to reduce exposure to closed-end funds in favour of open-end funds, thereby improving liquidity and reducing the risk of giving back performance should discounts to net asset value widen. This has included First State Asia Pacific Leaders, Miton UK Value Opportunities, Pimco Income Fund and Polar Global Alpha, among others. That said, we are not averse to supporting closed-end funds if the mandate meets our investment strategy. For example, the Fund invested in DCG IRIS, a specialist insurance fund and NB Distressed Debt. Both are well managed and offer a compelling risk/return profile from a portfolio of assets that are more suited to a closed-end fund structure. In addition, the Fund added closed-end funds that were out of favour and thus stood at wider discounts than the sector average including RIT Capital and Templeton Emerging Markets.

Having enjoyed an extremely buoyant year for risk assets, investors in global financial markets are likely to enter a distinct new phase in 2014. The age of almost unlimited central bank liquidity, which has had a hugely positive influence on investor sentiment, is drawing to a close and will, therefore, have a weaker impact on asset returns than the driving forces of economic and corporate earnings growth. As this transition from a liquidity to growth influenced market unfolds, global equity markets are likely to deliver more muted returns while bonds, in the main, will likely struggle to break into positive territory.

Despite these concerns, we feel that the Fund's broad diversification across asset classes and investment strategies provides unit holders with an attractive platform in which to access financial markets. In addition, we believe that our underlying managers are well positioned to capture corporate earnings growth in a tough operating environment and/or reduce the negative effects of rising bond yields.

## Performance summary

	31 May 13- 30 Nov 13 %	31 May 12- 30 Nov 12 %	31 May 11- 30 Nov 11 %	31 May 10- 30 Nov 10 %	31 May 09- 30 Nov 09 %
Henderson Multi-Manager Diversified Fund	1.7	8.5	(2.1)	7.6	23.6
Morningstar 'Mixed Investment 0-35% Shares' Sector Average	(0.4)	5.0	(1.8)	4.0	11.4

Source: Morningstar, mid to mid, net revenue reinvested, net of fees, GBP.

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.

## Summary of Fund performance

Unit class	Net asset value* 30/11/13 p	Net asset value* 31/05/13 p	Net asset value % change
Class A accumulation	75.59	74.07	2.05
Class A income	111.44	110.54	0.81
Class B accumulation	147.07	143.55	2.45
Class I income	111.03	109.65	1.26

\*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
31 May, 30 November	31 January, 30 April, 31 July and 31 October

### Ongoing charge figure

	2013 %	2012 %
Class A	1.56*	1.59
Class B	0.81**	0.82
Class I ^ ^	0.87***	0.93

The ongoing charge figure (OCF) of the Fund is the ratio of the total ongoing charges to the net asset value for twelve months.

The calculation is in accordance with guidelines issued by the Committee of European Securities Regulators (CESR).

The OCF includes a synthetic element of 0.17% (31/05/13: 0.16%) to incorporate the OCF of underlying funds.

From the 10 August 2013:

\* the General Administration Charge (GAC) decreased from 0.18% to 0.14%.

\*\* the General Administration Charge (GAC) decreased from 0.06% to 0.045%.

\*\*\* the General Administration Charge (GAC) decreased from 0.10% to 0.075%.

^^ Class I income launched 1 August 2012.

## Performance record

Calendar year	Net revenue (pence per unit)	Highest price (pence per unit)	Lowest price (pence per unit)
<b>Class A accumulation</b>			
2009	0.13	55.87	36.08
2010	0.04	60.64	53.58
2011	0.17	64.88	60.74
2012	0.93	70.00	62.86
2013	1.90	76.23+	70.03+
2014	0.59*	-	-
<b>Class A income</b>			
2012 **	1.21	106.20	97.58
2013	2.85	113.30+	106.20+
2014	0.86*	-	-
<b>Class B accumulation ^</b>			
2009	0.84	105.10	67.64
2010	0.92	115.20	101.50
2011	1.48	123.90	115.40
2012++	2.72	135.20	120.50
2013	4.01	148.30+	135.30+
2014	1.14*	-	-
<b>Class I income</b>			
2012 ^^	0.10	105.10	101.00
2013	2.90	112.80+	105.20+
2014	0.81*	-	-

\* to 31 January

+ to 30 November

^ Class B accumulation units are closed to new business from 30 March 2012

\*\* Class A income launched 30 March 2012

++ Changed from Class I accumulation to Class B accumulation 30 March 2012

^^ Class I income launched 1 August 2012

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

## Net revenue distribution

Unit class	30/11/13 p	30/11/12 p
Class A accumulation	0.99	0.79
Class A income	1.45	1.22
Class B accumulation	2.00	1.68
Class I income	1.42	0.53

Total dividend distributions for the period ended 30 November 2013, comparison is for the same period last year.

## Major holdings

as at 30/11/13	%
Henderson Strategic Bond Fund *	5.94
Jupiter Strategic Bond Fund	3.86
Pimco USD Short Maturity Source ETF	3.41
Pimco Global Investors Income Institutional	3.40
RIT Capital Partners	2.93
Polar Capital Global Alpha	2.90
Alternative Asset Opportunities Fund	2.82
iShares GBP Corporate Bond	2.51
CF Miton UK Value Opportunities Fund	2.51
Ecofin Water & Power Opportunities 6% 31/07/2016	2.51

\* A related party to the Fund

## Major holdings

as at 31/05/13	%
Henderson Strategic Bond Fund*	6.17
Jupiter Strategic Bond	4.67
Pimco USD Short Maturity Source	4.00
AXA	3.95
Greenwich Loan Income	3.90
Alternative Asset Opportunities	3.73
NB Global Floating Rate Income Fund	3.00
Jupiter Dividend & Growth Trust	3.00
Ecofin Water & Power Opportunities 6% 31/07/2016	2.92
Old Mutual Global Strategic Bond	2.91

## Asset allocation

as at 30/11/13	%
Collective investment schemes	25.98
Equity based strategies	25.07
Corporate bonds	14.24
Credit based strategies	12.10
Property funds	6.11
Private equity funds	4.93
Zero dividend preference shares	1.40
Alternative assets	0.91
Net other assets	9.26
<b>Total</b>	<b>100.00</b>

## Asset allocation

as at 31/05/13	%
Collective investment schemes	33.51
Credit based strategies	14.23
Equity based strategies	12.40
Corporate bonds	9.03
Property funds	8.09
Private equity funds	7.24
Zero dividend preference shares	3.00
Alternative assets	2.65
Net other assets	9.85
<b>Total</b>	<b>100.00</b>

## Report and accounts

This document is a short report of the Henderson Multi-Manager Diversified Fund for the six months ended 30 November 2013.

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 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:

Henderson Investment Funds Limited

Registered office:

201 Bishopsgate,  
London EC2M 3AE

Member of the IMA and authorised and regulated  
by the Financial Conduct Authority.  
Registered in England No 2678531

## 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.

### Trustee

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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 30 November 2013. 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 Multi-Manager Diversified 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 Limited (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), 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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