Henderson
GLOBAL INVESTORS

Henderson

Multi-Manager Diversified Fund

Short Report
For the year ended 31 May 2013

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Fund Manager

Paul Craig

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, transferable 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.

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:

Typically Lower potential risk/reward ← → Typically Higher potential risk/reward

Lower Risk — Higher Risk

1	2	3	4	5	6	7

The value of an investment in the Fund can go up and 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 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.

Manager's commentary

In the year ended 31 May 2013 the Henderson Multi-Manager Diversified Fund rose 17.5% while the Morningstar 'Mixed Investment 0-35% shares' sector rose by 10.5%. By comparison, the FTSE All-Share Index Total Return Index was up by 30.3% and UK government bonds were down 1.1%, as measured by the Citigroup World Government Bond Index UK All Maturities, while corporate bonds were up 11.0%, as measured by iShares Markit Iboxx £ Corporate Bond.

Against a generally buoyant backdrop for financial markets, it is still pleasing to report that the Fund achieved strong returns despite a mandatory low exposure to equities, which was the best performing asset class over the period. In addition, unit price volatility was lower than financial markets in general over the year.

In terms of performance attribution, the Fund's holdings in equities, not surprisingly, provided the greatest contribution to returns followed by fixed interest then alternative asset classes, including single-manager hedge funds and property. Importantly, the absence of government bonds within the fixed interest portfolio avoided a significant headwind during the period. We have long felt that the prospective returns from government bonds were unattractive and have instead favoured high yield bonds, senior loans and specialist bond Funds and/or managers.

Investment activity was higher than normal during the period, however, this rather reflected portfolio realignment following the change in investment policy than a fundamental change in our outlook. This included reducing holdings in zero dividend preference shares in favour of corporate bonds and reducing private equity in favour of public equity. In addition, we took advantage of a narrowing in discounts to net asset value across the fund's holdings in closed-end funds to switch into open-end funds, thereby improving liquidity and reducing the risk of giving back performance should discounts widen again. That said, we are not averse to supporting new closed-end funds if the mandate meets our investment strategy. For example, towards the end of the period we tactically added new holdings in Greencoat UK Wind, HICL Infrastructure and Target Healthcare as an alternative to bonds and equities. All three Funds are targeting internal rates of return of 6-8%, and with a degree of inflation protection. The less visible attraction to us is that we expected these long-term assets to be less volatile than either bonds or equities, at least in the short term.

The rally in equity markets seen in the latter part of 2012 and into the start of 2013 appears to have been primarily driven by liquidity. First by the European Central Bank's (ECB) commitment to do 'whatever it takes' to preserve the euro and secondly by the US Federal Reserve's balance sheet expansion through the purchase of mortgage-backed securities (MBS).

However, as the positive sentiment fired by these events fades, investors will increasingly desire economic growth to sustain their interest in equities and risk assets in general. As can be seen following the end of May 2013, even comments regarding a potential paring back of monetary stimulus can lead to a marked increase in volatility in financial markets.

Despite these concerns, we remain fully invested in risk assets and underweight government bonds, with a preference for diversification and seasoned fund managers over a more defensive posture. We believe that equity markets are attractively valued on a medium to longer-term view, especially in comparison to government bonds. Within fixed interest, we prefer to be overweight corporate bonds, with a preference for senior loans and specialist/strategic bond managers. In addition, the budget deficit built up by the UK needs to be financed, which could mean further pressure on gilts and sterling.

Discrete annual performance

	01 Jun 12- 31 May 13 %	01 Jun 11- 31 May 12 %	01 Jun 10- 31 May 11 %	01 Jun 09- 31 May 10 %	01 Jun 08- 31 May 09 %
Henderson Multi-Manager Diversified Fund	17.5	(1.8)	17.0	25.5	(31.4)
Morningstar 'Mixed Investment 0-35% shares' Sector Average	10.5	0.7	8.0	14.2	(7.7)

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* 2013 p	Net asset value* 2012 p	Net asset value % change
A accumulation	74.26	63.00	17.87
A income**	110.84	96.70	14.62
B accumulation***	143.93	121.10	18.85
I income	109.94	n/a	n/a

* 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.
** Class A income launched 30 March 2012
*** Changed from Class I accumulation to Class B accumulation 30 March 2012. Class B accumulation units are closed to new business from 30 March 2012

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	1.59	1.54
Class B	0.82	0.82
Class I	0.93	n/a

The annualised ongoing charge figure (OCF) of the Fund, calculated as the ratio of the total ongoing charges to the average net asset value for twelve months. Ongoing charges are all payments deducted from the assets of the Fund during the period, except for expenses that are explicitly excluded by regulation.

The OCF includes a synthetic element of 0.16% (2012: 0.14%) to incorporate the OCF of the underlying funds.

* To include the synthetic element of the OCF the above figures have been restated.

Performance record

Calendar year	Net revenue (pence per unit)	Highest price (pence per unit)	Lowest price (pence per unit)
Class A accumulation			
2008	-	67.53	41.90
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	1.50*	74.97+	70.03+
Class A income			
2012 **	1.21	106.20	97.58
2013	2.26*	112.80+	106.20+
Class B accumulation ^			
2008	0.87	125.60	78.46
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	3.15*	145.30+	135.30+
Class I income			
2012 ^^	0.10	105.10	101.00
2013	2.29*	111.90+	105.20+

	Net revenue (US dollar cents per unit)	Highest price (US dollar per unit)	Lowest price (US dollar per unit)
US dollar hedged			
2008 #	1.26	5.47	3.65

	Net revenue (Euro cents per unit)	Highest price (Euro per unit)	Lowest price (Euro per unit)
Euro hedged			
2008 #	1.68	5.00	3.22

* to 31 July
+ to 31 May
^ 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
# Liquidated 2 December 2008

Past performance is not a guide to future performance.

Net revenue distribution

Unit class	2013 p	2012 p
A accumulation	2.01	0.42
A income	3.06	0.41
B accumulation	4.21	1.66
I income	2.39	n/a

Total dividend distributions for the year ended 31 May 2013, comparison is for the same period last year.

Major holdings

as at 2013	%
Henderson Strategic Bond Fund*	6.17
Jupiter Strategic Bond	4.67
Pimco USD Short Maturity Source ETF	4.00
AXA US Short Duration High Yield Bond	3.95
Greenwich Loan Income Fund	3.90
Alternative Asset Opportunities Fund	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 Fund	2.91

* Related party to the Fund.

Major holdings

as at 2012	%
Henderson Private Equity *	10.19
Utilico Finance 31/10/2016	7.23
Jupiter Second Split Fund	5.29
Elders Investment Company Capital III	4.15
Henderson Strategic Bond Fund*	3.99
Greenwich Loan Income Fund	3.94
AXA US Short Duration High Yield Bond	3.85
Jupiter Strategic Bond Fund	3.80
M&G Corporate Bond Fund	3.77
Ecofin Water & Power Opportunities 6% 31/07/2016	3.21

Asset allocation

as at 2013	%
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
Total	**100.00**

Asset allocation

as at 2012	%
Collective investment schemes	21.42
Zero dividend preference shares	18.91
Private equity funds	16.54
Corporate bonds	10.26
Credit based strategies	9.81
Equity based strategies	9.63
Property funds	6.42
Synthetic zero dividend preference shares	4.15
Macro based strategies	2.79
Net other assets	0.07
Total	**100.00**

Report and accounts

This document is a short report of the Henderson Multi-Manager Diversified Fund for the year ended 31 May 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 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.

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.

Issued by:
Henderson Investment Funds Limited
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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 May 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. 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.

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