

# ANNUAL SHORT REPORT

For the year ended  
31 October 2013

**Henderson Japan Capital Growth Fund**

# Japan Capital Growth Fund

## Short Report

For the year ended 31 October 2013

### Fund Manager

Michael Wood-Martin

### Investment objective and policy

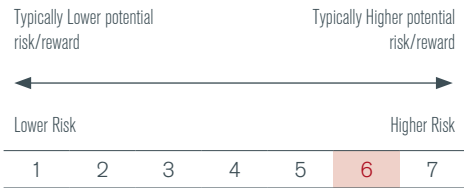
To aim to provide capital growth by investing in Japanese companies. The Fund is not restricted in the size of companies in which it can invest.

### 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 2 types of shares in issue; A accumulation and I accumulation. Each type of share has the same risk and reward profile which is as follows:



The synthetic risk and reward indicator (SRRRI) 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 SRRRI level. The SRRRI 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 country

- As a category, shares are 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 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.

**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

It was a tremendous twelve months for Japan as the change in government coupled with a more aggressive approach being adopted by the central bank transformed sentiment towards the equity market. Stocks enjoyed a terrific rise with the market soaring by close to 75% on the initial burst of enthusiasm, which was then followed by a necessary period of consolidation over the latter stages of the period. The main stock market indices ended more than 60% higher while the smaller indices performed even better. There was a price to be paid, however, in that the value of the yen slipped on account of the easier monetary stance so part of this gain was given back when returns are viewed from overseas. Nevertheless equities gained more than a third when measured in sterling terms, which catapulted Japan to the top of performance tables in comparison to equity returns elsewhere. The weakness of the yen is already having an impact as the benefits feed through to profits, which are on course to record a rapid recovery this year and

which should continue to have a positive effect thereafter. It was a year when politics took centre stage for all the right reasons.

Financials were the strongest contributors to the portfolio as this sector was one of the first to benefit from the recovery in the stock market. Consumer discretionary, which was not an automatic beneficiary of the changes in monetary policy, was the weakest area. At the stock level the large commitment to the financial sector reflected the strongest gainers, with Daiwa Securities more than doubling in share price. Bank positions also performed strongly. Other contributors included Sony (electronics), which benefited from further restructuring, Murata Manufacturing (components), where the company's position goes from strength to strength, and Mitsui O.S.K Lines (shipping) as investors anticipated a recovery in fortunes. Lagging the market were stocks that either did not benefit from policy change or had disappointing earnings. These included Yamada Denki (retail) and Nintendo (gaming). Inpex (oil exploration) was left behind as commodity-related stocks fared poorly.

The portfolio maintained its bias towards one of domestic reflation backed by the change in political landscape, with sizeable weightings in financials and domestic discretionary. Over the period a number of stocks were sold out of the portfolio as their uses had either been fulfilled or the outlook had diminished. Disposals included Shin-Etsu Chemical and Secom (security) on the grounds of valuation,

whereas both Benesse (educational materials) and TDK (electronics) were sold as the outlook for their respective businesses took a turn for the worse. New additions included retailer Shimamura whose track record of profitable business expansion is impressive, Suzuki Motor, which has exposure to the nascent Indian car market, and Disco, which occupies a niche area within the electronics industry. A position was also established in new listing Suntory Beverage & Food, which is one of Japan's largest soft drinks companies.

As the stock market has corrected there has been growing concern over the much vaulted reforms promised by the newly elected government and rather charismatic premier Abe-san. Perhaps this is healthy scepticism. The outlook for profit growth is encouraging as the full benefits of a weaker yen and easier monetary policy wash through the economy. With wages and corporate spending looking set to rise, while the banking sector is witnessing an expansion in lending, the prospects for growth are promising. Japan is in many ways distinctive from economies elsewhere as it is only just beginning to benefit from the policies that have recently been enacted, so that the way ahead should compare favourably. The stock market has risen substantially, albeit from levels that were extraordinarily suppressed, but it would be premature to call time on Japan just at the point when the economy finally turns the corner. We believe the path towards Japan's recovery is only part travelled.

## Performance summary

	31 Oct 12- 31 Oct 13 %	31 Oct 11- 31 Oct 12 %	31 Oct 10- 31 Oct 11 %	31 Oct 09- 31 Oct 10 %	31 Oct 08- 31 Oct 09 %
Henderson Japan Capital Growth Fund	30.3	(4.7)	5.5	7.1	7.5
MSCI Japan Index	34.6	(2.9)	(3.1)	8.2	11.7

Source: Morningstar – mid to mid, net income reinvested, net of fees.

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

Share class	Net asset value* 2013 p	Net asset value* 2012 p	Net asset value % change
Class A accumulation	203.88	156.29	30.45
Class I accumulation	219.82	166.97	31.65

\* 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 April, 31 October	31 December

### Ongoing charge figure

	2013 %	2012 %
Class A	1.76*	1.77
Class I	0.87**	1.03†

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).

† From 1 August 2012, the Annual Management Charge decreased from 1.00% to 0.75% and the General Administration Charge (GAC) increased from 0.06% to 0.10%.

From 10 August 2013 the GAC:

\* decreased from 0.24% to 0.18%

\*\* decreased from 0.10% to 0.075%

## Net revenue distribution

Share class	2013 p	2012 p
Class A accumulation	0.10	0.64
Class I accumulation	2.09	1.92

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

## Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
<b>Class X accumulation</b>			
2008	-	160.50	118.70
2009	0.05	155.70	117.00
2010**	-	146.90	139.80
<b>Class A accumulation</b>			
2008	0.28	166.60	123.40
2009	0.99	162.20	121.90
2010	0.59	181.70	146.30
2011	0.72	183.40	152.10
2012	0.64	177.10	152.60
2013	0.10*	221.60+	161.80+
<b>Class I accumulation</b>			
2008	1.10	173.20	128.50
2009	1.64	169.00	127.20
2010	1.70	191.60	153.30
2011	1.71	193.60	160.60
2012	1.92	188.40	163.00
2013	2.09*	238.00+	173.20+

\* to 31 December

+ to 31 October

# Class X merged with Class A on 11 January 2010

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

Major holdings	
as at 2013	%
Mitsubishi UFJ Financial	6.53
Sumitomo Mitsui Financial	4.92
Rakuten	4.49
Keyence	4.20
Sekisui Chemical	4.15
Daiwa Securities	4.00
Canon	3.97
Tokio Marine	3.93
Mizuho Financial	3.91
Inpex	3.87

Major holdings	
as at 2012	%
Mitsubishi UFJ Financial	6.26
Yamada Denki	5.34
Rakuten	4.58
Sumitomo Mitsui Financial	4.58
Daiwa Securities	4.36
Tokio Marine Holdings	4.24
Canon	4.20
Mizuho Financial	3.97
Nintendo	3.93
Keyence	3.70

Asset allocation	
as at 2013	%
Consumer goods	29.12
Financials	22.75
Industrials	17.64
Technology	15.94
Consumer services	10.38
Telecommunications	3.07
Net other assets	1.10
<b>Total</b>	<b>100.00</b>

Asset allocation	
as at 2012	%
Financials	26.07
Industrials	25.79
Consumer Goods	15.86
Technology	14.05
Consumer services	12.72
Telecommunications	2.79
Net other assets	2.72
<b>Total</b>	<b>100.00</b>

## Report and accounts

This document is a short report of the Henderson Japan Capital Growth Fund for the year ended 31 October 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 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 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.

### Depository

National Westminster Bank Plc  
135 Bishopsgate  
London EC2M 3UR

### Auditor

PricewaterhouseCoopers LLP  
141 Bothwell Street  
Glasgow  
G2 7EQ

**Contact us**  
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[www.henderson.com](http://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 October 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 Japan Capital Growth 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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