

Henderson

European Selected Opportunities

Fund

Short Report

For the year ended 31 May 2013

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Fund Manager

John Bennett

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 in issue:

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

The risk and reward profile is the same for each type of share and is as follows:

Typically Lower potential risk/reward Typically Higher potential risk/reward



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 focuses on a single region
- 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.

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

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.

Manager's commentary

Over the year to 31 May 2013 the Fund returned 44.5% compared with a rise of 43.3% in its benchmark index FTSE World Europe excluding UK (GBP).

Performance was strong over the year with the winning sector being healthcare. We firmly believe that the story for European pharmaceuticals remains intact, with many companies well positioned to deliver long-term sustainable earnings and priced at attractive entry levels for investors. Our underweight to the telecoms sector also benefited the Fund. The main laggard was the financials sector.

At a stock level key performers over the period were Swiss pharmaceuticals Roche Holding – participating and Novartis (registered). Interest in this sector is gradually increasing as it returns to growth. With economic growth set to remain low we expect the sector to remain in favour and retain our large exposure. Winners also included Anglo Dutch publisher Reed Elsevier, which released strong results. With encouraging results from each underlying business division and high cash generation, capital returns to shareholders look likely to continue and the stock remains a core holding. The largest detractor over the period was French bank BNP Paribas. BIC was also negatively impacted by confirmation of European Union (EU) plans to end the levy on Chinese lighters whilst Novo Nordisk 'B', the Danish pharmaceuticals company, lagged as US approval for one of its diabetes drugs was delayed.

Our strategy has remained broadly constant during the past year. In recognising the potential for a sharp rally among the 'high beta' areas of the market we made some tactical alterations. New strategic additions included Dutch food retailer Koninklijke Ahold, which is on an attractive absolute and relative valuation. We also established a position in Bank of Ireland (London listed) based on Ireland's improving trade situation and regained competitiveness. AstraZeneca in the pharmaceutical sector and Swiss elevator manufacturer Schindler Holding – participating were also added. Disposals over the period included Volvo and Electrolux as we reduced the Fund's cyclical component. We have been disappointed by the rate of progress made by Dutch nutrition and chemical company DSM in its transformation and sold the holding. Other disposals included beverage stock Heineken and Swiss testing company SGS.

An over-indebted, slow growth world has informed our investment thinking in recent years. We see little reason to change that working assumption. Moreover, we remain encouraged by the combination that Europe's rarely popular equity markets continue to offer: steadily compounding cash flows from global franchises available at an attractive price. Mindful of recent years' stellar performance by small- and mid-caps we now see the opportunity for leadership to hand over to large-cap stocks. This would be of benefit to the Fund's strategy. We continue to identify plenty of stock and sector specific opportunities to enable us to build on recent years' performance.

Performance summary

	1 Jun 12 31 May 13 %	1 Jun 11 31 May 12 %	1 Jun 10 31 May 11 %	1 Jun 09 31 May 10 %	1 Jun 08 31 May 09 %
Henderson European Selected Opportunities Fund	44.5	(17.7)	22.1	13.4	(21.2)
FTSE World Europe ex UK Index	43.3	(24.2)	24.3	14.4	(25.3)

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, 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

Share class	Net asset value+ 2013 p	Net asset value+ 2012 p	Net asset value % change
Class A accumulation	1,089.44	750.27	45.21
Class I accumulation	1,137.96	777.02	46.45
Class C accumulation	1,155.27	786.31	46.92
Class I income*	141.37	98.31	43.80

+ 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 I income launched on 22 August 2011.

Fund facts

Accounting dates	Payment dates	
31 May, 30 November	31 July, 31 January	
Ongoing charge figure	2013 %	2012 %
Class A	1.77	1.76
Class I	0.90†	1.10
Class C	0.59	0.60

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 year, except for expenses that are explicitly excluded by regulation.

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

† From 1 August 2012, the annual management charge decreased from 1% to 0.75% and the general administration charge increased from 0.06% to 0.10%.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2008	10.97	874.09	546.47
2009	12.40	861.57	533.20
2010	10.20	871.03	712.01
2011	9.57	939.50	690.22
2012	10.50	930.44	737.83
2013	10.53 ⁺	1,119.40 [*]	931.30 [*]
Class I accumulation			
2008	13.43	887.60	556.13
2009	14.96	879.39	543.51
2010	14.47	894.17	728.96
2011	14.45	966.22	711.50
2012	16.38	968.22	764.15
2013	20.16 ⁺	1,168.99 [*]	969.25 [*]
Class C accumulation			
2008 ^{**}	—	719.90	603.37
2009	14.24	878.18	541.40
2010	18.42	898.44	730.19
2011	19.10	972.54	717.54
2012	21.06	981.75	773.30
2013	23.06 ⁺	1,186.69 [*]	982.84 [*]
Class I income			
2011 ^{***}	—	110.34	92.04
2012	2.21	122.51	96.75
2013	2.62 ⁺	147.92 [*]	122.64 [*]

* to 31 May

+ to 31 July

** From 28 November 2008 to 31 December 2008.

*** From 22 August 2011 to 31 December 2011.

Past performance is not a guide to future performance.

Net revenue distribution

Share class	2013 p	2012 p
Class A accumulation	10.53	10.50
Class I accumulation	20.16	16.38
Class C accumulation	23.06	21.06
Class I income	2.62	2.21

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

Major holdings	
as at 2013	%
Novartis (registered)	8.99
Roche Holding – participating	8.69
Sanofi	6.05
Bayer	4.95
Reed Elsevier	4.08
Nestlé (registered)	3.95
Henkel preference	3.00
Akzo Nobel	2.59
UBS (registered)	2.47
Novo Nordisk 'B'	2.37

Major holdings	
as at 2012	%
Novartis (registered)	7.17
Sanofi	6.93
Roche Holding – participating	6.78
SAP	4.80
Nestlé (registered)	4.50
Novo Nordisk 'B'	3.40
Dassault Systemes	2.66
Syngenta	2.57
Heineken	2.36
ASML Holding	2.28

Asset allocation	
as at 2013	%
Switzerland	31.27
Germany	23.89
France	17.24
Netherlands	11.49
Sweden	3.93
Finland	2.80
Denmark	2.37
United Kingdom	1.98
Belgium	1.48
Italy	1.20
Ireland	1.07
Spain	0.54
Net other assets	0.74
Total	100.00

Asset allocation	
as at 2012	%
Switzerland	25.56
France	23.31
Germany	18.52
Netherlands	13.28
Sweden	7.31
Denmark	3.40
Finland	3.39
Italy	2.42
Belgium	1.14
Bermuda	0.56
Norway	0.51
Luxembourg	0.34
Net other assets	0.26
Total	100.00

Report and accounts

This document is a short report of the Henderson European Selected Opportunities 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.

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

Depository

HSBC Bank plc
8 Canada Square, Canary Wharf, London E14 5HQ

From 3 June 2013
National Westminster Bank plc
135 Bishopsgate
London EC2M 3UR

Authorised and regulated by the Financial Conduct Authority.

Risk warning

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Important Information

On 3 June 2013, the Depositary changed from HSBC Bank plc to National Westminster Bank plc.

Registrar

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

Authorised and regulated by the Financial Conduct Authority.

Auditor

PricewaterhouseCoopers LLP
141 Bothwell Street, Glasgow G2 7EQ

Institute of Chartered Accountants in England and Wales.

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 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 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. 17955554), 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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