

INTERIM SHORT REPORT

For the six months ended
31 December 2013

**Henderson European
Smaller Companies Fund**

Henderson European Smaller Companies Fund

Short Report

For the six months ended 31 December 2013

Fund Manager

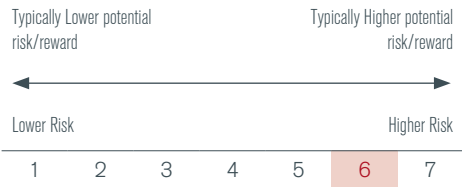
Henderson Pan European Equity Team

Investment objective and policy

To aim to provide capital growth by investing primarily in European Smaller Companies, excluding the United Kingdom.

Risk and reward profile

The Fund currently has 2 share classes in issue; A accumulation and I accumulation. Each share class has the same risk and reward profile which 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:

- As a category, smaller companies are more volatile than larger companies.
- The Fund focuses on a single region.
- 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.

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 Factors" section of the Fund's prospectus.

Fund Manager's commentary

European smaller companies moved higher in the second half of 2013. Leading economic indicators continued to point in a positive direction and asset allocators increased their weighting to equities, especially smaller companies. Despite this the European Central Bank (ECB) chose to cut interest rates to 0.25%. Employment and inflation has remained stubbornly low and we find it encouraging that the ECB has shown good intent to prevent a deflationary scenario becoming established. Toward the end of the period the US Federal Reserve (Fed) decided to start 'tapering' the amount of its open market bond purchases. In contrast to the initial market reaction in May, investors took the decision as good news, choosing to focus on the Fed's flexible rhetoric and the strength of the global economy rather than the withdrawal of liquidity.

The Fund performed strongly over the period returning 20.5% versus the benchmark index return of 18.9%. We had strong performances from Spanish bank Bankinter, IT services company Cancom and Vizrt. Bankinter is one of the best quality retail banks

in Spain with a particularly strong online offering. The Spanish government has been one of the best in Europe at implementing much needed reforms and the country is forecast to return to growth in 2014. Cancom provides cloud computing services to SMEs in Germany. Increasingly, businesses want their employees to have access to work systems on-the-go and the company is growing impressively as a result. We have taken profits given the stock's appreciation. Vizrt creates 3D graphics, which are increasingly being used by TV broadcasters in news and sports programmes. The company is growing and stands to benefit from the continued adoption of high definition television. We also had TF1 rally from its extremely cheap valuation. The French television channel is taking market share and advertising revenue is improving. The main detractor from returns was Schoeller Bleckmann, which suffered from continued pressure on oil and gas capital expenditure. We continue to favour the company as the emergence of shale gas should see profits improve.

Portfolio activity was relatively high over the period. We added a new position in CDON Group. The company operates a number of different retail websites in the Nordic region; its recent operational issues seem to be largely resolved and should see

good growth in their third party websites. We also bought Safilo; the company is part of an oligopoly in the manufacturing of glasses frames and new management has made a good impression. We also purchased BE semiconductor, which is taking market share in the back-end market and having shifted production to Asia, appears well-placed to improve profitability. We participated in the initial public offering (IPO) of Sanitec. The Swedish bath and toilet maker/distributor looks set to benefit from the cyclical recovery we are seeing in Europe. Disposals include AMAG (lack of a short-term catalyst), Aixtron (light emitting diode (LED) adoption slower than expected) and Nyrstar where operational problems as well as poor industry dynamics has caused share price underperformance.

As we approach 2014 we remain confident that good returns can be achieved by European smaller companies. Whilst we may only be returning to modest growth with many hurdles to overcome, not least a strong euro. We ultimately believe things are getting better rather than worse, and on a relative basis valuations are still supportive especially as we expect a return to corporate earnings growth.

Performance summary

	30 Jun 13- 31 Dec 13 %	30 Jun 12- 31 Dec 12 %	30 Jun 11- 31 Dec 11 %	30 Jun 10- 31 Dec 10 %	30 Jun 09- 31 Dec 09 %
Henderson European Smaller Companies Credit Fund	20.5	10.5	(28.1)	38.4	41.0
HSBC Smaller Europe (ex UK) Index	18.9	14.7	(27.7)	27.5	33.20

Source : Morningstar - mid to mid (excluding initial charges) with net revenue reinvested for a basic rate taxpayer.

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* 31/12/13 p	Net asset value* 30/06/13 p	Net asset value % change
Class A accumulation	1,193.54	988.39	20.76
Class I accumulation	1,288.68	1,062.48	21.29

*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 June, 31 December	31 August

Ongoing charge figure

	31/12/13 %	30/06/13 %
Class A	1.73*	1.77
Class I	0.87**	0.89

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.

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

From 10 August 2013, the General Administration Charge (GAC) decreased:

* from 0.24% to 0.18%

** from 0.10% to 0.075%

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class X accumulation			
2009	3.24	762.70	391.70
2010**	-	787.30	747.60
Class A accumulation			
2009	6.29	795.90	407.50
2010	-	983.40	700.20
2011	0.96	1,079.30	713.20
2012	5.87	910.50	760.90
2013	1.33	1,202.00+	900.30+
Class I accumulation			
2009	9.63	832.70	425.10
2010	1.62	1,036.90	735.80
2011	7.75	1,141.00	776.20
2012	12.24	968.30	808.20
2013	10.51	1,298.00+	963.60+

+ to 31 December 2013

**Class X merged with Class A on 11 January 2010.

Major holdings	
as at 31/12/13	%
Plastic Omnium	2.96
Wirecard	2.34
YOOX	2.33
IFG	2.26
Aareal Bank	2.09
Tom Tailor	2.06
Nederman	2.01
Schoeller-Bleckmann	2.00
Salvatore Ferragamo	1.94
EVS Broadcast Equipment	1.85

Asset allocation	
as at 31/12/13	%
Germany	36.97
France	10.75
Switzerland	8.76
Italy	8.64
Sweden	6.89
Netherlands	5.50
Norway	3.69
Spain	3.33
Austria	3.05
Ireland	2.26
Finland	2.08
Belgium	1.85
Denmark	1.84
Luxembourg	1.15
Greece	0.92
Net other assets	2.32
Total	100.00

Major holdings	
as at 30/06/13	%
Isra Vision	3.60
Wirecard	2.78
EVS Broadcast Equipment	2.62
Interpump	2.62
Plastic Omnium	2.50
Fugro	2.46
Tom Tailor	2.45
IFG	2.43
Schoeller-Bleckmann	2.40
YOOX	2.40

Asset allocation	
as at 30/06/13	%
Germany	37.91
Italy	10.96
France	9.44
Netherlands	5.79
Sweden	5.63
Norway	5.08
Ireland	4.20
Switzerland	4.16
Finland	3.67
Belgium	3.37
Spain	3.13
Austria	3.05
Denmark	1.96
Luxembourg	1.22
Greece	0.84
Net other liabilities	(0.41)
Total	100.00

Past performance is not a guide to future performance.

Report and accounts

This document is a short report of the Henderson European Smaller Companies Fund for the six months ended 31 December 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 period it covers and the results of those activities at the end of the period.

Issued by:

Henderson Investment Funds Limited

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201 Bishopsgate,

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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 31 December 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 Smaller Companies 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

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

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