



# ANNUAL REPORT & ACCOUNTS

For the year ended  
31 July 2017

Janus Henderson  
— INVESTORS —

Henderson Investment Funds Series II



# Who are Janus Henderson Investors?

**Janus Henderson Investors exists to help clients achieve their long-term financial goals.**

Formed in 2017 from the merger between Janus Capital Group and Henderson Group, we are committed to adding value through active management. For us, active is more than our investment approach – it is the way we translate ideas into action, how we communicate our views and the partnerships we build in order to create the best outcomes for clients.

We are proud to offer a highly diversified range of products, harnessing the intellectual capital of some of the industry's most innovative and formative thinkers. Our expertise encompasses the major asset classes, we have investment teams situated around the world and we serve intermediary, institutional and individual investors globally. As at 30 June 2017, we had approximately US\$344.9bn (£265.5bn) in assets under management, more than 2,000 employees and offices in 27 cities worldwide. Headquartered in London, we are an independent asset manager that is dual-listed on the New York Stock Exchange and the Australian Securities Exchange.

At Janus Henderson, we believe in the sharing of expert insight for better investment and business decisions. We call this ethos *Knowledge. Shared. Knowledge. Shared* is reflected both in how our investment teams interact and in our commitment to empowering clients in their decision-making. In our view, knowledge is powerful when it is shared.

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## Authorised Corporate Director's (ACD) report

We are pleased to present the Annual Report and Accounts for Henderson Investment Funds Series II (the "Company") for the year ended 31 July 2017.

### Authorised status

The Company is an open ended investment company (OEIC) with variable capital authorised, under regulation 12 (Authorisation) of the OEIC regulations, by the Financial Conduct Authority on 30 August 2002. The Company is a UCITS scheme. It is an umbrella company, comprising one sub-fund ("fund") being Henderson Cautious Managed Fund. Shareholders are not liable for the debts of the company.

### Other information

Henderson Group plc and Janus Capital Group plc merged on 30 May 2017 to form Janus Henderson Group plc.

The sub-fund, Gartmore High Yield Corporate Bond Fund, was closed to investors on 12 August 2011. The fund terminated on 28 July 2017.

The sub-fund, Gartmore Institutional Corporate Bond Fund, was closed to investors on 22 February 2010. The fund terminated on 28 July 2017.

### Director's statement

In accordance with the requirements of the Collective Investment Schemes sourcebook as issued and amended by the Financial Conduct Authority, I hereby certify the investment report and financial statements on behalf of the Directors of Henderson Investment Funds Limited.



C. Chaloner  
(Director)

22 November 2017

## Authorised Corporate Director's (ACD) report (continued)

### Service Providers

	Name	Address	Regulator
<b>Authorised Corporate Director (ACD)</b>	<b>Henderson Investment Funds Limited</b> Member of the Investment Association The ultimate holding company is Janus Henderson Group plc	Registered Office: 201 Bishopsgate London EC2M 3AE Registered in England No 2678531. Telephone – 020 7818 1818 Dealing – 0845 608 8703 Enquiries – 0800 832 832	Authorised and regulated by the Financial Conduct Authority
<b>Directors of the ACD</b>	C Chaloner G Foggin H J de Sausmarez G Kitchen M Skinner (to 29.06.17) P Wagstaff		
<b>Investment Manager</b>	<b>Henderson Global Investors Limited</b> The ultimate holding company is Janus Henderson Group plc	201 Bishopsgate London EC2M 3AE	Authorised and regulated by the Financial Conduct Authority
<b>Shareholder Administrator</b>	<b>DST Financial Services Europe Limited</b>	DST House St Nicholas Lane Basildon Essex SS15 5FS	Authorised and regulated by the Financial Conduct Authority
<b>Depository</b>	<b>National Westminster Bank plc</b> The ultimate holding company is Royal Bank of Scotland Group plc	135 Bishopsgate London EC2M 3UR	Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority
<b>Independent Auditors</b>	<b>PricewaterhouseCoopers LLP</b>	141 Bothwell Street Glasgow G2 7EQ	Institute of Chartered Accountants in England and Wales
<b>Legal Adviser</b>	<b>Eversheds LLP</b>	One Wood Street London EC2V 7WS	The Law Society

## Statement of Authorised Corporate Director's responsibilities

for the year ended 31 July 2017

The Financial Conduct Authority's Collective Investment Schemes Sourcebook requires the Authorised Corporate Director ("ACD") to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the Company and its net revenue/(losses) on the property of the Company for the year. In preparing the financial statements the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in May 2014;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared by Henderson Investment Funds Limited, comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, Prospectus and the OEIC Regulations. The ACD is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Statement of Depositary's responsibilities and report of the Depositary to the shareholders of the Henderson Investment Funds Series II ("the Company")

for the year ended 31 July 2017

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001(SI 2001/2008) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored (this requirement on the Depositary applied from 18 March 2016) and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

National Westminster Bank Plc  
London

22 November 2017

# **Independent Auditors' Report to the Shareholders of Henderson Investment Funds Series II ('the Company')** for the year ended 31 July 2017

## **Report on the audit of the financial statements**

### **Our opinion**

In our opinion, Henderson Investment Funds Series II's financial statements (the "financial statements of the Company"):

- give a true and fair view of the financial position of the Company and its sub-fund as at 31 July 2017 and of the net revenue and the net capital gains on the scheme property of the Company and its sub-fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Henderson Investment Funds Series II (the "company") is an Open Ended Investment Company ('OEIC') with a single sub-fund. The financial statements of the company comprise the financial statements of its sub-fund. We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the balance sheet as at 31 July 2017; the statement of total return and the statement of change in net assets attributable to shareholders for the year then ended; the distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's or its sub-fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's or the sub-fund's ability to continue as a going concern.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

### **Authorised Corporate Director's Report**

In our opinion, the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



# **Independent Auditors' Report to the Shareholders of Henderson Investment Funds Series II ('the Company')** (continued)

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the Authorised Corporate Director for the financial statements**

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities set out on page 3, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the company's and its sub-fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the company or its sub-fund, or has no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other required reporting**

### **Opinion on matter required by the Collective Investment Schemes sourcebook**

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

### **Collective Investment Schemes sourcebook exception reporting**

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditors  
Glasgow

22 November 2017

# Henderson Cautious Managed Fund

## Authorised Corporate Director's (ACD) report

### Investment Fund Managers

Chris Burvill, John Pattullo, Jenna Barnard and Stephen Payne

### Other information

Stephen Payne has co-managed this fund from 1 August 2016.

### Investment objective and policy

To provide a combination of income and long-term capital growth. Investment will be in a diversified portfolio of equities, bonds and other related investments. At all times the investment in equities will be limited to a maximum of 60% of the value of the fund's portfolio.

The fund may also invest at the ACD'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 stock-lending, borrowing, cash holdings, hedging and other investment techniques permitted in applicable FCA Rules).

### Performance summary

	31 Jul 16- 31 Jul 17 %	31 Jul 15- 31 Jul 16 %	31 Jul 14- 31 Jul 15 %	31 Jul 13- 31 Jul 14 %	31 Jul 12- 31 Jul 13 %
<b>Henderson Cautious Managed Fund</b>	6.9	1.8	3.5	5.3	17.4
<b>Mixed Investment 20-60% Shares Sector Average</b>	8.3	5.5	5.0	4.1	11.2

Source: Morningstar, bid to bid and net of fees, as at valuation point, based on Class A accumulation.

Benchmark values are as at close of business.

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.

## Significant portfolio changes for the year ended 31 July 2017

<b>Largest purchases</b>	<b>£000</b>	<b>Largest sales</b>	<b>£000</b>
US Treasury 6.125% 15/11/2027	85,485	US Treasury 6.125% 15/11/2027	84,727
US Treasury 0.625% Index-Linked 15/01/2024	84,846	HSBC Holdings	21,247
Shire	23,925	Marks & Spencer	17,053
Prudential	23,406	RSA Insurance	16,466
GlaxoSmithKline	21,508	AstraZeneca	16,163
Carphone Warehouse	16,570	Elementis	16,010
Imperial Brands	15,966	National Express	15,692
Atkins (WS)	13,961	British Land	13,939
Lloyds Banking	12,618	Berendsen	13,768
Babcock International	12,407	Sage	12,611
<b>Total purchases</b>	<b>574,967</b>	<b>Total sales / maturities</b>	<b>580,691</b>

### Investment review

An easing in some of the headwinds of the previous year and our positive stance towards equities provided the basis for reasonable absolute returns during the review year, but challenges facing the UK economy led to underperformance. The fund returned 6.9% over the year to 31 July 2017, compared with 8.3% for the sector, placing us in the fourth quartile.

Our policy of being predominantly UK invested, both for equities and bonds, and importantly, hedging overseas currency exposure back to sterling, constituted a significant headwind during the review year, offsetting some good performance from selected financials and healthcare stocks. The continued fallout from the decision by UK voters to leave the EU (Brexit) has overshadowed domestic markets over the past 12 months, weighing on the relative strength of sterling versus other major currencies, as well as weakening expectations for the domestic economy.

This has also come at a time of deepening concern about the wider political landscape. Investors appreciate the stability implied by more market-friendly 'centrist' policies and have been alarmed by a number of factors: Trump's victory in the US Presidential election (November 2016), the stridency and lack of clarity that have characterised the UK government's negotiations with the EU thus far, and latterly the resurgence of more radical left wing sentiments in the recent UK election (June 2017). While these are all worrying for domestic investors, it should be highlighted that continued global economic growth and low interest rates remain the most important factors behind the health of UK companies.

Our overall stance has remained in favour of equities (tempered in the wake of the UK election result) and with reasonably high cash levels. A small but general theme for us has been to increase domestic cyclical exposure, taking advantage of the pronounced weakness we have seen since the Brexit vote. Our continued focus on companies that we believe can deliver longer-term value resulted in the introduction of a number of new holdings. Some, particularly in the mid-cap arena, produced very strong performance for us, including investment management firm Man Group, specialty chemicals manufacturer Elementis and engineering firm WS Atkins. The latter accepted a bid from Canadian rival SNC-Lavalin soon after our purchase, at a 40% premium. Other new additions – biopharmaceutical firm Shire, telecommunications retailer Dixons Carphone and chemicals/technology multinational Johnson Matthey – realistically may take longer to regain investor support, although we had some early positive signs from Shire. We also took advantage of pricing opportunities created by prevailing sentiment to add to existing positions in Imperial Brands (formerly Imperial Tobacco) and support services firm Babcock.

We were fortunate to be able to take profits, selling or reducing a number of holdings following some very strong performances, including N Brown Group, Costain, National Express, Bellway, Royal Sun Alliance, Informa, Sage and Cobham, which rose strongly following a rights issue. The sale of National Grid earlier in the review year was also helpful as this well-known bond proxy started to underperform. We trimmed some positions elsewhere on the recognition that trading conditions were proving tougher than we expected, reducing exposure to Rolls Royce, Inmarsat, Pearson and Marks & Spencer.

We maintained a defensive position in fixed income (bonds), with lower duration (limiting the exposure of any potential interest rate increase) and a significant presence in index-linked bonds (helping to protect the fund's income stream from inflationary pressures). We saw some interesting opportunities to invest in higher-yields bonds issued by credit provider International Personal Finance (IPF), retirement products firm Just Group and betting company Ladbrokes Coral. We also initiated a holding in US government bonds earlier in 2017. This followed a period of weakness caused by some genuine concerns that the US Federal Reserve might act to normalise (increase) interest rates. Finally, we cut our holding in bonds issued by RAC after the company aggressively increased its borrowing.

Although our core analysis comes on a stock-by-stock basis, our emphasis on value means that the portfolio remains implicitly more exposed to the UK than its peers. In our view, the negative sentiment towards the UK is simply overdone. Not only do some domestic stocks offer some outstanding value, they would be very immediate beneficiaries of any rally in sterling. We are aware of the potential hazards ahead during the process of Brexit, which looms large as the biggest issue UK companies have to contend with. But it is arguable that many of the associated factors have already been priced in, and signs of a slight easing of the jingoistic rhetoric that has characterised negotiations thus far might invite a more conciliatory attitude from EU negotiators.

There are also a range of other potentially positive factors on the horizon. The benefits of sterling devaluation to the economy and UK businesses have yet to come through. The squeeze on consumer spending should start to abate sometime next year, while government spending is also likely to increase. Overall, this provides us with hope of seeing progress in absolute terms from the UK equity market this year. Were this to be accompanied by a return of international interest, our expectations could easily prove too conservative.

## Comparative tables for the year ended 31 July 2017

	Class A accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	246.72	242.71	233.15
Return before operating charges*	20.34	7.44	13.02
Operating charges	(3.70)	(3.43)	(3.46)
Return after operating charges*	16.64	4.01	9.56
Distributions on accumulation shares	(8.05)	(7.55)	(6.90)
Retained distributions on accumulation shares	8.05	7.55	6.90
Closing net asset value per share	263.36	246.72	242.71
* after direct transaction costs of:	0.25	0.18	0.23
<b>Performance</b>			
Return after charges	6.74%	1.65%	4.10%
<b>Other information</b>			
Closing net asset value (£000s)	588,020	642,552	943,367
Closing number of shares	223,273,523	260,438,030	388,677,797
Operating charges	1.44%	1.45%	1.44%
Direct transaction costs	0.10%	0.08%	0.10%
<b>Prices</b>			
Highest share price (pence)	268.20	247.30	250.00
Lowest share price (pence)	244.60	223.50	226.60

	Class A income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	149.00	152.33	150.63
Return before operating charges*	12.15	3.44	8.27
Operating charges	(2.21)	(2.12)	(2.19)
Return after operating charges*	9.94	1.32	6.08
Distributions on income shares	(4.81)	(4.65)	(4.38)
Closing net asset value per share	154.13	149.00	152.33
* after direct transaction costs of:	0.15	0.11	0.15
<b>Performance</b>			
Return after charges	6.67%	0.87%	4.04%
<b>Other information</b>			
Closing net asset value (£000s)	161,759	148,057	225,990
Closing number of shares	104,946,141	99,365,674	148,355,827
Operating charges	1.44%	1.45%	1.44%
Direct transaction costs	0.10%	0.08%	0.10%
<b>Prices</b>			
Highest share price (pence)	158.00	152.40	157.80
Lowest share price (pence)	147.70	137.50	145.30

## Comparative tables (continued)

	Class C accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	667.56	652.95	622.88
Return before operating charges*	54.01	18.24	33.67
Operating charges	(3.91)	(3.63)	(3.60)
Return after operating charges*	50.10	14.61	30.07
Distributions on accumulation shares	(22.25)	(20.99)	(19.17)
Retained distributions on accumulation shares	22.25	20.99	19.17
Closing net asset value per share	717.66	667.56	652.95
* after direct transaction costs of:	0.69	0.49	0.61
<b>Performance</b>			
Return after charges	7.50%	2.24%	4.83%
<b>Other information</b>			
Closing net asset value (£000s)	41,689	41,301	42,961
Closing number of shares	5,809,058	6,186,916	6,579,479
Operating charges	0.56%	0.57%	0.56%
Direct transaction costs	0.10%	0.08%	0.10%
<b>Prices</b>			
Highest share price (pence)	729.90	669.10	670.80
Lowest share price (pence)	661.90	602.70	605.30

	Class I accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	219.66	214.81	205.18
Return before operating charges*	17.83	6.36	11.14
Operating charges	(1.63)	(1.51)	(1.51)
Return after operating charges*	16.20	4.85	9.63
Distributions on accumulation shares	(7.26)	(6.86)	(6.27)
Retained distributions on accumulation shares	7.26	6.86	6.27
Closing net asset value per share	235.86	219.66	214.81
* after direct transaction costs of:	0.23	0.16	0.20
<b>Performance</b>			
Return after charges	7.38%	2.26%	4.69%
<b>Other information</b>			
Closing net asset value (£000s)	1,061,685	1,006,802	745,781
Closing number of shares	450,137,267	458,338,028	347,177,377
Operating charges	0.71%	0.72%	0.71%
Direct transaction costs	0.10%	0.08%	0.10%
<b>Prices</b>			
Highest share price (pence)	239.90	220.20	221.10
Lowest share price (pence)	217.80	198.40	199.60

## Comparative tables (continued)

	Class I income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	120.67	122.75	120.79
Return before operating charges*	9.67	2.61	6.45
Operating charges	(0.88)	(0.85)	(0.87)
Return after operating charges*	8.79	1.76	5.58
Distributions on income shares	(3.94)	(3.84)	(3.62)
Closing net asset value per share	125.52	120.67	122.75
* after direct transaction costs of:	0.12	0.09	0.12
<b>Performance</b>			
Return after charges	7.28%	1.43%	4.62%
<b>Other information</b>			
Closing net asset value (£000s)	363,866	288,787	199,915
Closing number of shares	289,879,421	239,315,491	162,868,222
Operating charges	0.71%	0.72%	0.71%
Direct transaction costs	0.10%	0.08%	0.10%
<b>Prices</b>			
Highest share price (pence)	128.50	122.80	127.00
Lowest share price (pence)	119.70	111.10	116.70

	Class M accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	131.21	129.14	124.48
Return before operating charges*	10.89	4.21	6.83
Operating charges	(2.31)	(2.14)	(2.17)
Return after operating charges*	8.58	2.07	4.66
Distributions on accumulation shares	(4.07)	(3.87)	(3.63)
Retained distributions on accumulation shares	4.07	3.87	3.63
Closing net asset value per share	139.79	131.21	129.14
* after direct transaction costs of:	0.14	0.10	0.12
<b>Performance</b>			
Return after charges	6.54%	1.60%	3.74%
<b>Other information</b>			
Closing net asset value (£000s)	2,486	1,957	8,400
Closing number of shares	1,778,753	1,491,684	6,504,463
Operating charges	1.69%	1.70%	1.69%
Direct transaction costs	0.10%	0.08%	0.10%
<b>Prices</b>			
Highest share price (pence)	142.40	131.50	133.30
Lowest share price (pence)	130.10	118.90	121.00

## Comparative tables (continued)

	Class M income		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	113.51	115.78	114.71
Return before operating charges*	12.01	3.21	10.22
Operating charges	(1.97)	(1.89)	(5.78)
Return after operating charges*	10.04	1.32	4.44
Distributions on income shares	(6.46)	(3.59)	(3.37)
Closing net asset value per share	117.09	113.51	115.78
* after direct transaction costs of:	0.12	0.09	0.33
<b>Performance</b>			
Return after charges	8.85%	1.14%	3.87%
<b>Other information</b>			
Closing net asset value (£000s)	11,420	12,420	27,547
Closing number of shares	9,753,605	10,942,191	23,792,319
Operating charges	1.69%	1.70%	1.69%
Direct transaction costs	0.10%	0.08%	0.10%
<b>Prices</b>			
Highest share price (pence)	120.30	116.30	120.10
Lowest share price (pence)	112.30	104.80	110.60

## Comparative tables (continued)

	Class A EUR (hedged) accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	846.93	704.37	727.63 <sup>1</sup>
Return before operating charges*	116.58	153.21	(12.85)
Operating charges	(12.96)	(10.65)	(10.41)
Return after operating charges*	103.62	142.56	(23.26)
Distributions on accumulation shares	(28.26)	(23.83)	(10.05)
Retained distributions on accumulation shares	28.26	23.83	10.05
Closing net asset value per share	950.55	846.93	704.37
* after direct transaction costs of:	0.89	0.57	0.69
<b>Performance</b>			
Return after charges	12.23%	20.24%	(3.20%)
<b>Other information</b>			
Closing net asset value (£000s)	2	2	2
Closing number of shares	258	258	252
Operating charges	1.44%	1.45%	1.44%
Direct transaction costs	0.10%	0.08%	0.10%
<b>Prices</b>			
Highest share price (EUR cents)	1,084.00	1,008.00	1,025.00
Lowest share price (EUR cents)	996.80	912.70	980.30

<sup>1</sup> Class A EUR (hedged) accumulation launched on 4 March 2015 and this is the first published price.



## Comparative tables (continued)

### Class I EUR (hedged) accumulation

	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	854.86	706.77	727.63 <sup>2</sup>
Return before operating charges*	116.84	153.49	(20.12)
Operating charges	(6.51)	(5.40)	(0.74)
Return after operating charges*	110.33	148.09	(20.86)
Distributions on accumulation shares	(28.95)	(24.64)	(10.28)
Retained distributions on accumulation shares	28.95	24.64	10.28
Closing net asset value per share	965.19	854.86	706.77
* after direct transaction costs of:	0.91	0.58	0.10
<b>Performance</b>			
Return after charges	12.91%	20.95%	(2.87%)
<b>Other information</b>			
Closing net asset value (£000s)	156	11	2
Closing number of shares	16,169	1,282	251
Operating charges	0.71%	0.72%	0.71%
Direct transaction costs	0.10%	0.08%	0.10%
<b>Prices</b>			
Highest share price (EUR cents)	1,099.00	1,017.00	1,026.00
Lowest share price (EUR cents)	1,006.00	918.00	982.30

<sup>2</sup> Class I EUR (hedged) accumulation launched on 4 March 2015 and this is the first published price.

## Comparative tables (continued)

	Class I USD (hedged) accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	810.26	672.50	595.67 <sup>3</sup>
Return before operating charges*	77.69	142.85	81.68
Operating charges	(6.33)	(5.09)	(4.85)
Return after operating charges*	71.36	137.76	76.83
Distributions on accumulation shares	(28.00)	(13.87)	(19.04)
Retained distributions on accumulation shares	28.00	13.87	19.04
Closing net asset value per share	881.62	810.26	672.50
* after direct transaction costs of:	0.88	0.55	0.65
<b>Performance</b>			
Return after charges	8.81%	20.48%	12.90%
<b>Other information</b>			
Closing net asset value (£000s)	6,788	3,377	1,170
Closing number of shares	769,947	416,830	174,047
Operating charges	0.71%	0.72%	0.71%
Direct transaction costs	0.10%	0.08%	0.10%
<b>Prices</b>			
Highest share price (USD cents)	1,180.34	1,078.19	1,079.00
Lowest share price (USD cents)	1,066.53	967.39	976.60

<sup>3</sup> Class I USD (hedged) accumulation launched on 11 August 2014 and this is the first published price.

Performance values are at close of business and may differ from the performance summary.

### Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

### Share class launches and closures

There were no share classes launched or closed in the year.

### Hedged share classes

Class A EUR (hedged) accumulation, Class I EUR (hedged) accumulation and Class I USD (hedged) accumulation are hedged share classes. Hedged share classes allow the ACD to use currency hedging transactions to reduce the effect of fluctuations in the rate of exchange between the currency of share in those classes and Sterling which is the base currency of the fund.

## Ongoing charge figure

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

	2017	2016
	%	%
<b>Class A</b>	1.44	1.45
<b>Class C</b>	0.56	0.57
<b>Class I</b>	0.71	0.72
<b>Class M</b>	1.69	1.70

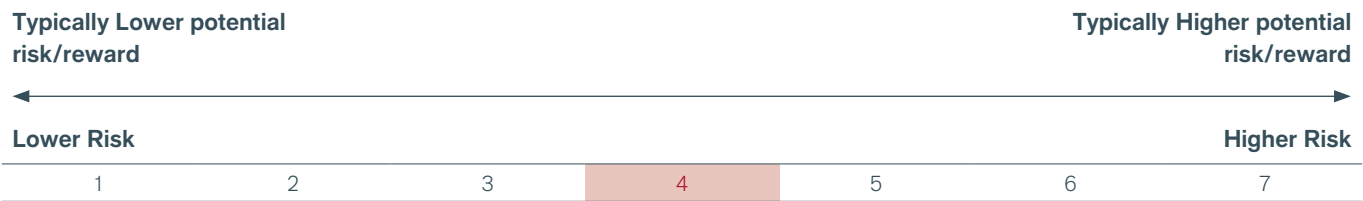
The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

# Risk and reward profile

The fund currently has 10 types of share class in issue:

A accumulation, A income, C accumulation, I accumulation, I income, M accumulation, M income, A EUR (hedged) accumulation, I EUR (hedged) accumulation and I USD (hedged) accumulation.

The risk and reward profile of each type of share class is as follows:



The Synthetic Risk and Reward Indicator (SRRI) is calculated based on historical volatility over a rolling 5 year period<sup>1</sup>, 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 share class appears at 4 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events.

The full list of the fund’s risks are contained in the “Risk Factors” section of the fund’s Prospectus.

There have been no changes to the risk rating in the year.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

<sup>1</sup> Class A EUR (hedged) accumulation, I EUR (hedged) accumulation launched on 4 March 2015 and I USD (hedged) accumulation launched on 11 August 2014, as they do not have a 5 year history, a synthetic history has been created using the fund’s relevant sector average.

## Portfolio statement as at 31 July 2017

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Equities 51.76% (2016: 52.27%)</b>		
	<b>Ireland 0.77% (2016: 0.64%)</b>		
	<b>Consumer Goods 0.77% (2016: 0.64%)</b>		
7,705,549	Greencore	17,245	0.77
	<b>Netherlands 3.28% (2016: 3.09%)</b>		
	<b>Oil &amp; Gas 3.28% (2016: 3.09%)</b>		
3,415,410	Royal Dutch Shell 'B'	73,500	3.28
	<b>Switzerland 0.00% (2016: 0.18%)</b>		
	<b>Basic Materials 0.00% (2016: 0.18%)</b>		
	<b>United Kingdom 46.05% (2016: 47.61%)</b>		
	<b>Basic Materials 3.94% (2016: 1.96%)</b>		
388,406	Johnson Matthey	10,914	0.49
166,103	Randgold Resources	11,727	0.52
1,433,486	Rio Tinto	50,459	2.26
761,129	Victrex	15,002	0.67
		88,102	3.94
	<b>Consumer Goods 2.81% (2016: 3.62%)</b>		
1,410,436	Imperial Brands	44,005	1.96
439,169	Unilever	18,979	0.85
		62,984	2.81
	<b>Consumer Services 8.53% (2016: 9.91%)</b>		
5,153,186	Carphone Warehouse	13,862	0.62
2,164,950	Daily Mail & General Trust 'A'	13,780	0.62
1,499,753	Dunelm	9,029	0.40
776,258	easyjet	9,595	0.43
812,566	Go-Ahead	14,586	0.65
2,299,144	Greene King	15,749	0.70
7,943,239	Kingfisher	23,384	1.04
7,714,248	Ladbrokes Coral	9,759	0.44
2,363,412	Mitchells & Butlers	5,715	0.26
2,028,609	MoneySupermarket.Com	6,737	0.30
2,083,676	Pearson	13,700	0.61
1,180,408	Playtech	11,338	0.51
1,462,716	RELX	24,163	1.09
11,093,937	Tesco	19,325	0.86
		190,722	8.53
	<b>Financials 12.04% (2016: 9.88%)</b>		
4,795,441	Aviva	25,847	1.16
21,440,197	Barclays Bank	43,524	1.94
2,773,310	British Land	16,931	0.76
6,868,263	HSBC Holdings	51,993	2.32
3,506,095	John Laing	10,953	0.49
3,449,463	Juridica Investments	293	0.01
4,700,000	Just Retirement	6,914	0.31
56,173,104	Lloyds Banking	36,838	1.65
6,233,939	Man	9,974	0.45

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Equities</b> (continued)		
	<b>United Kingdom</b> (continued)		
	<b>Financials</b> (continued)		
1,259,952	Novae	8,889	0.40
2,944,165	Phoenix Holdings	22,449	1.00
250,000	Provident Financial	5,155	0.23
1,595,028	Prudential	29,476	1.32
84,364	Specialist Investment Properties	10	–
		<u>269,246</u>	<u>12.04</u>
	<b>Health Care 5.78% (2016: 5.92%)</b>		
911,161	AstraZeneca	41,631	1.86
3,080,521	GlaxoSmithKline	46,654	2.09
3,096,259	Smith & Nephew	40,871	1.83
		<u>129,156</u>	<u>5.78</u>
	<b>Industrials 5.63% (2016: 6.68%)</b>		
82,483	AA	202	0.01
2,737,025	Babcock International	23,113	1.03
6,026,076	BAE Systems	36,246	1.62
2,078,028	Capita	13,684	0.61
389,731	Castings	1,803	0.08
13,643,122	Communisys	6,515	0.29
1,053,610	Costain	4,952	0.22
1,335,184	De La Rue	8,906	0.40
472,557	Goldenport Holdings~	–	–
1,580,980	Howden Joinery	6,718	0.30
1,279,736	Rolls-Royce Holdings	11,364	0.51
820,806	Smiths	12,599	0.56
		<u>126,102</u>	<u>5.63</u>
	<b>Oil &amp; Gas 1.82% (2016: 1.68%)</b>		
9,158,255	BP	40,828	1.82
	<b>Technology 0.23% (2016: 0.72%)</b>		
3,499,009	Laird	5,231	0.23
	<b>Telecommunications 4.17% (2016: 4.66%)</b>		
12,108,898	BT	37,961	1.70
1,108,140	Inmarsat Ventures	8,594	0.38
21,112,751	Vodafone	46,870	2.09
		<u>93,425</u>	<u>4.17</u>
	<b>Utilities 1.10% (2016: 2.58%)</b>		
7,167,861	Centrica	14,229	0.64
1,280,173	Pennon	10,305	0.46
		<u>24,534</u>	<u>1.10</u>

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Equities</b> <small>(continued)</small>		
	<b>United States 1.66% (2016: 0.75%)</b>		
	<b>Consumer Services 0.65% (2016: 0.75%)</b>		
285,514	Carnival	14,618	0.65
	<b>Health Care 1.01% (2016: 0.00%)</b>		
531,034	Shire	22,628	1.01
	<b>Bonds 31.66% (2016: 31.39%)</b>		
	<b>Denmark 0.00% (2016: 0.03%)</b>		
	<b>Fixed Rate Bond 0.00% (2016: 0.03%)</b>		
	<b>France 0.24% (2016: 0.23%)</b>		
	<b>Variable Rate Bond 0.24% (2016: 0.23%)</b>		
GBP 5,100,000	Électricité de France 6.00% Perpetual	5,394	0.24
	<b>Germany 0.54% (2016: 0.53%)</b>		
	<b>Fixed Rate Bond 0.17% (2016: 0.16%)</b>		
EUR 4,000,000	Techem 7.875% 01/10/2020	3,697	0.17
	<b>Variable Rate Bond 0.37% (2016: 0.37%)</b>		
GBP 7,800,000	RWE Finance 7.00% Perpetual	8,314	0.37
	<b>Hong Kong 0.31% (2016: 0.34%)</b>		
	<b>Variable Rate Bond 0.31% (2016: 0.34%)</b>		
GBP 6,950,000	HSBC Holdings 6.375% 18/10/2022	7,021	0.31
	<b>Iceland 0.00% (2016: 0.00%)</b>		
	<b>Asset Backed 0.00% (2016: 0.00%)</b>		
GBP 475,000	Singer & Friedlander 7.50% 13/11/2019#	–	–
	<b>Ireland 0.03% (2016: 0.03%)</b>		
	<b>Fixed Rate Bond 0.03% (2016: 0.03%)</b>		
USD 2,600,000	International Securities 9.00% Perpetual#	–	–
GBP 2,300,000	Lambay Capital Securities 6.25% Perpetual*	52	–
EUR 1,825,000	Waterford Wedgewood 9.875% Perpetual#	–	–
USD 766,000	WPP Finance 4.75% 21/11/2021	633	0.03
		685	0.03
	<b>Italy 0.00% (2016: 0.00%)</b>		
	<b>Fixed Rate Bond 0.00% (2016: 0.00%)</b>		
GBP 910,000	Parmalat Capital Finance 9.375% Perpetual#	–	–
	<b>Luxembourg 0.00% (2016: 0.00%)</b>		
	<b>Asset Backed 0.00% (2016: 0.00%)</b>		
EUR 1,089,681	Hellas Telecom 8.50% Perpetual#	–	–
	<b>Fixed Rate Bond 0.00% (2016: 0.00%)</b>		
EUR 1,731,000	Teksid Aluminium Luxembourg 11.375% Perpetual#	–	–
	<b>South Africa 0.00% (2016: 0.36%)</b>		
	<b>Fixed Rate Bond 0.00% (2016: 0.36%)</b>		

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Bonds (continued)</b>			
<b>United Kingdom 20.76% (2016: 23.02%)</b>			
<b>Asset Backed 0.70% (2016: 0.60%)</b>			
GBP 2,549,000	Legal & General 10.00% 23/07/2041	3,332	0.15
GBP 7,005,000	Telereal Securitisation 6.1645% 10/12/2031	8,525	0.38
GBP 3,469,520	Unique Pub Finance 6.542% 30/03/2021	3,771	0.17
		<hr/>	<hr/>
		15,628	0.70
<b>Fixed Rate Bond 10.43% (2016: 11.17%)</b>			
GBP 5,500,000	Arqiva Broadcast Finance 9.50% 31/03/2020	5,838	0.26
GBP 1,000,000	BAA Funding 6.00% 20/03/2020	1,121	0.05
GBP 4,836,000	Barclays Bank 10.00% 21/05/2021	6,226	0.28
USD 2,990,000	BAT International Finance 3.25% 07/06/2022	2,326	0.10
GBP 4,300,000	BAT International Finance 7.25% 12/03/2024	5,641	0.25
GBP 1,500,000	BG Energy Capital 5.125% 07/12/2017	1,523	0.07
GBP 12,500,000	Cattles 6.875% Perpetual#	–	–
GBP 2,250,000	Centrica 4.375% 13/03/2029	2,647	0.12
GBP 6,353,000	Daily Mail & General Trust 5.75% 07/12/2018	6,694	0.30
GBP 4,750,000	Daily Mail & General Trust 6.375% 21/06/2027	5,641	0.25
GBP 2,045,000	Friends Life Holdings 12.00% 21/05/2021	2,828	0.13
GBP 6,444,000	Friends Life Holdings 8.25% 21/04/2022	8,323	0.37
GBP 592,000	Galaxy Bidco 6.375% 15/11/2020	606	0.03
GBP 2,000,000	GKN 6.75% 28/10/2019	2,246	0.10
GBP 3,019,000	G4S 7.75% 13/05/2019	3,352	0.15
GBP 4,138,000	Hammerson 6.00% 23/02/2026	5,208	0.23
GBP 4,300,000	HSBC Holdings 6.00% 29/03/2040	5,904	0.26
GBP 3,060,000	Imperial Tobacco Finance 4.875% 07/06/2032	3,667	0.16
GBP 1,500,000	Imperial Tobacco Finance 5.50% 28/09/2026	1,857	0.08
EUR 6,125,000	International Personal Finance 5.75% 07/04/2021	5,022	0.22
GBP 4,500,000	Just 9.00% 26/10/2026	5,177	0.23
GBP 5,000,000	Ladbrokes 5.125% 08/09/2023	5,075	0.23
GBP 6,141,000	Legal & General 5.50% 27/06/2064	6,738	0.30
GBP 1,876,000	National Westminster Bank 11.50% Perpetual	3,189	0.14
GBP 2,733,000	Nationwide Building Society 8.625% 29/03/2018	2,871	0.13
GBP 3,250,000	Paragon 6.125% 30/01/2022	3,447	0.15
GBP 5,618,000	Premier Foods 6.50% 15/03/2021	5,702	0.25
GBP 6,000,000	Provident Financial 8.00% 23/10/2019	6,737	0.30
GBP 250,000	Prudential 6.125% 19/12/2031	322	0.01
GBP 850,000	RAC Bond 4.565% 06/05/2023	929	0.04
GBP 3,350,000	RAC Bond 4.87% 06/05/2026	3,724	0.17
GBP 1,800,000	Reed Elsevier Investment 7.00% 11/12/2017	1,839	0.08
GBP 750,000	Rolls Royce 6.75% 30/04/2019	825	0.04
EUR 7,854,000	Royal Bank of Scotland 5.25% Perpetual	7,079	0.32
GBP 2,000,000	Santander Treasury Services 10.0625% Perpetual	3,200	0.14
GBP 1,160,000	Severn Trent Water Utilities 6.00% 22/01/2018	1,188	0.05
GBP 9,469,000	Tesco 5.50% 13/01/2033	10,360	0.46
GBP 2,900,000	Tesco 6.00% 14/12/2029	3,372	0.15
GBP 7,000,000	UK Treasury 1% 07/09/2017	7,006	0.31
GBP 6,250,000	UK Treasury 3.75% 07/09/2019	6,712	0.30
GBP 16,010,000	UK Treasury 3.75% 07/09/2020	17,715	0.80
GBP 12,500,000	UK Treasury 4.00% 07/03/2022	14,508	0.66
GBP 16,107,000	UK Treasury 4.50% 07/03/2019	17,201	0.78
GBP 9,000,000	UK Treasury 5.00% 07/03/2018	9,257	0.41



## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Bonds (continued)</b>			
<b>United Kingdom (continued)</b>			
<b>Fixed Rate Bond (continued)</b>			
GBP 1,985,000	Virgin Media Finance 6.375% 15/10/2024	2,134	0.10
GBP 1,200,000	Virgin Media Secured Finance 6.25% 28/03/2029	1,308	0.06
GBP 4,295,000	WM Morrison Supermarkets 3.50% 27/07/2026	4,579	0.20
GBP 4,000,000	WPP Finance 6.375% 06/11/2020	4,674	0.21
		<hr/>	<hr/>
		233,538	10.43
<b>Index Linked Bond 5.42% (2016: 5.74%)</b>			
GBP 2,070,000	British Telecom 3.50% Index-Linked 25/04/2025	4,349	0.19
GBP 4,800,000	Heathrow Funding 3.334% Index-Linked 09/12/2039	10,880	0.49
GBP 3,500,000	High Speed Rail Finance 1 1.566% Index-Linked 01/11/2038	5,419	0.24
GBP 5,000,000	Network Rail Infrastructure Finance 1.375% Index-Linked 22/11/2037	10,753	0.48
GBP 6,500,000	Network Rail Infrastructure Finance 1.75% Index-Linked 22/11/2027	11,682	0.52
GBP 27,000,419	UK Treasury 0.125% Index-Linked 22/03/2024	34,910	1.56
GBP 26,487,000	UK Treasury 1.875% Index-Linked 22/11/2022	43,263	1.94
		<hr/>	<hr/>
		121,256	5.42
<b>Stepped Rate Bond 0.49% (2016: 0.47%)</b>			
GBP 9,215,000	Standard Life 6.75% Perpetual	10,995	0.49
		<hr/>	<hr/>
<b>Variable Rate Bond 3.72% (2016: 5.04%)</b>			
GBP 9,000,000	Aviva 6.125% Perpetual	10,151	0.45
GBP 110,000	Aviva 6.875% 20/05/2058	148	0.01
GBP 4,111,000	British Insurance Holdings 6.625% 09/12/2030	4,325	0.19
GBP 4,869,000	BUPA Finance 6.125% Perpetual	5,466	0.24
USD 11,000,000	Catlin Insurance FRN Perpetual	8,093	0.36
GBP 3,199,000	National Express 6.625% 17/06/2020	3,664	0.16
GBP 14,573,000	National Grid Finance 5.625% 18/06/2073	16,524	0.75
GBP 77,250	Nationwide Building Society VAR Perpetual	12,091	0.55
GBP 5,425,000	Pennon FRN Perpetual	5,580	0.25
GBP 6,430,000	RL Finance Bonds 6.125% 30/11/2043	7,257	0.32
GBP 1,218,000	RSA Insurance 9.375% 20/05/2039	1,400	0.06
GBP 8,074,000	Standard Chartered Bank 5.375% Perpetual	8,495	0.38
		<hr/>	<hr/>
		83,194	3.72
<b>United States 9.78% (2016: 6.85%)</b>			
<b>Asset Backed 0.42% (2016: 0.38%)</b>			
GBP 214,115	Lehman Brothers Holdings 7.875% 08/05/2018 <sup>#</sup>	18	–
GBP 10,000,000	SLM Student Loan Trust 5.15% 15/12/2039	9,470	0.42
		<hr/>	<hr/>
		9,488	0.42
<b>Fixed Rate Bond 1.31% (2016: 1.39%)</b>			
GBP 2,940,000	AT&T 4.875% 01/06/2044	3,436	0.15
GBP 4,850,000	Bank of America 6.125% 15/09/2021	5,766	0.26
EUR 3,000,000	Citigroup 7.375% 04/09/2019	3,101	0.14
USD 8,000,000	Iron Mountain 6.00% 15/08/2023	6,417	0.29
GBP 9,664,000	Juneau Investment 5.90% 22/02/2021	10,512	0.47
		<hr/>	<hr/>
		29,232	1.31

## Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Bonds</b> (continued)		
	<b>United States</b> (continued)		
	<b>Index Linked Bond 8.05% (2016: 4.57%)</b>		
USD 26,750,000	US Treasury 0.125% Index-Linked 15/04/2018	21,417	0.96
USD 64,771,000	US Treasury 0.125% Index-Linked 15/07/2024	50,027	2.24
USD 101,478,100	US Treasury 0.625% Index-Linked 15/01/2024	82,337	3.67
USD 23,361,000	US Treasury 2.375% Index-Linked 15/01/2025	26,319	1.18
		<b>180,100</b>	<b>8.05</b>
	<b>Variable Rate Bond 0.00% (2016: 0.51%)</b>		
	<b>Derivatives 0.08% (2016: 0.03%)</b>		
	<b>Forward Foreign Exchange Contracts 0.08% (2016: 0.03%)</b>		
	Buy GBP 18,800,818 : Sell EUR 21,366,743 August 2017	(319)	(0.01)
	Buy GBP 199,943,927 : Sell USD 260,865,025 August 2017	2,277	0.09
	Buy GBP 2,117 : Sell USD 2,770 August 2017^	–	–
	Buy GBP 3,150 : Sell USD 4,142 August 2017^	–	–
	Buy GBP 336,473 : Sell EUR 376,918 August 2017	(1)	–
	Buy GBP 3,500 : Sell USD 4,569 August 2017^	–	–
	Buy GBP 9,729 : Sell USD 12,769 August 2017^	–	–
		<b>1,957</b>	<b>0.08</b>
	<b>Forward Foreign Exchange Contracts (Hedged share classes) 0.00% (2016: 0.00%)</b>		
	Buy EUR 1,230 : Sell GBP 1,094 August 2017^	–	–
	Buy EUR 173,431 : Sell GBP 154,142 August 2017	1	–
	Buy EUR 19 : Sell GBP 17 August 2017^	–	–
	Buy EUR 2,727 : Sell GBP 2,423 August 2017^	–	–
	Buy GBP 132,726 : Sell USD 172,866 August 2017	2	–
	Buy GBP 487 : Sell USD 636 August 2017^	–	–
	Buy USD 102,021 : Sell GBP 78,113 August 2017	(1)	–
	Buy USD 12,774 : Sell GBP 9,729 August 2017^	–	–
	Buy USD 142,308 : Sell GBP 109,893 August 2017	(2)	–
	Buy USD 145,656 : Sell GBP 111,933 August 2017	(2)	–
	Buy USD 161,723 : Sell GBP 124,069 August 2017	(1)	–
	Buy USD 2,771 : Sell GBP 2,117 August 2017^	–	–
	Buy USD 4,144 : Sell GBP 3,150 August 2017^	–	–
	Buy USD 4,571 : Sell GBP 3,500 August 2017^	–	–
	Buy USD 8,562,704 : Sell GBP 6,574,447 August 2017	(83)	–
		<b>(86)</b>	<b>–</b>
	<b>Investment assets including investment liabilities</b>	<b>1,868,734</b>	<b>83.50</b>
	Other net assets	369,137	16.50
	<b>Total net assets</b>	<b>2,237,871</b>	<b>100.00</b>

^ Due to rounding to nearest £1,000

~ Suspended, delisted or unquoted securities

# Defaulted

\* Manually priced

## Statement of total return for the year ended 31 July 2017

	Note	2017 £000	2016 £000
Income			
Net capital gains/(losses)	4	93,945	(16,364)
Revenue	5	76,678	76,598
Expenses	6	(21,327)	(21,946)
Net revenue before taxation		55,351	54,652
Taxation	7	(906)	(1,270)
Net revenue after taxation		54,445	53,382
Total return before distributions		148,390	37,018
Distributions	8	(68,740)	(68,544)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>79,650</b>	<b>(31,526)</b>

## Statement of change in net assets attributable to shareholders

for the year ended 31 July 2017

	2017 £000	2016 £000
<b>Opening net assets attributable to shareholders</b>	<b>2,145,266</b>	<b>2,195,135</b>
Amounts receivable on issue of shares	157,855	95,169
Amounts payable on cancellation of shares	(198,094)	(167,435)
	(40,239)	(72,266)
Change in net assets attributable to shareholders from investment activities	79,650	(31,526)
Retained distribution on accumulation shares	53,185	53,919
Unclaimed distributions	9	4
<b>Closing net assets attributable to shareholders</b>	<b>2,237,871</b>	<b>2,145,266</b>

## Balance sheet as at 31 July 2017

	Note	2017 £000	2016 £000
<b>Assets:</b>			
Investments		1,869,143	1,795,369
Current assets:			
Debtors	9	12,227	18,077
Cash and bank balances	10	369,437	348,017
<b>Total assets</b>		<b>2,250,807</b>	<b>2,161,463</b>
<b>Liabilities:</b>			
Investment liabilities		409	94
Provisions for liabilities	11	41	23
Creditors:			
Distribution payable		3,597	3,836
Other creditors	12	8,889	12,244
<b>Total liabilities</b>		<b>12,936</b>	<b>16,197</b>
<b>Net assets attributable to shareholders</b>		<b>2,237,871</b>	<b>2,145,266</b>

## **1 Accounting policies**

### **(a) Basis of preparation**

The financial statements of Henderson Investment Funds Series II (the "Company") comprise the financial statements of Henderson Cautious Managed Fund. They have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Management Association ('IMA') in May 2014 (the "SORP"), the Financial Reporting Standard 102 ("FRS102"), the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL") and the Company's Instrument of Incorporation. The financial statements have been prepared on a going concern basis.

### **(b) Basis of valuation of investments**

The valuation of listed investments has been at fair value, which is generally deemed to be bid market price, excluding any accrued interest in the case of debt securities, at close of business on the last valuation day of the accounting year (31 July 2017) in accordance with the provisions of the scheme particulars.

Suspended, defaulted, delisted, unquoted or manually priced securities are valued by the Authorised Corporate Director ("ACD") taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

Derivative assets and liabilities are valued at the fair value price to close out the contract at the Balance sheet date, using available market prices or an assessment of fair value based on counterparty valuations and appropriate pricing models.

### **(c) Revenue recognition**

Dividends receivable from quoted equity and non equity shares are credited to revenue, when the security is quoted ex-dividend. Dividends on unquoted stocks are credited to revenue when the dividend is announced.

Overseas dividends are disclosed gross of any foreign tax suffered, the tax element being separately disclosed in the tax note.

Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment. The effective yield is a calculation that amortises any discount or premium on the purchase of an investment over its remaining life based on estimated cash flows.

Bank interest is recognised on an accruals basis.

Income distributions from UK Real Estate Investment Trusts ("UK REITs") is split into two parts, a Property Income Distribution ("PID") made up of rental revenue and a non-PID element, consisting of non-rental revenue. The PID element is subject to corporation tax as schedule A revenue, while the non-PID element is treated as franked revenue.

Interest on margin and revenue earned on derivatives are accounted for on an accruals basis.

Underwriting commission is taken to revenue and recognised when the issue takes place, except where the fund is required to take up all or some of the shares underwritten in which case an appropriate proportion of the commission received is deducted from the cost of the relevant shares.

Stock lending revenue is accounted for on an accruals basis, net of bank and agent fees.

Revenue derived from the gains/losses on hedged class forward currency contracts is allocated to both the capital and revenue of the share class based upon the prior day capital/revenue split.

Special dividends are recognised as either revenue or capital depending on the nature and circumstances of the dividends receivable.

Dividends received as shares (scrip/stock dividends), to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue. The revenue forms part of any distribution.

If any revenue receivable at the Balance sheet date is not considered recoverable, a provision is made for the relevant amount.

### **(d) Treatment of expenses (including ACD expenses)**

All expenses (other than those detailed below and those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### (d) Treatment of expenses (including ACD expenses) (continued)

##### Annual Management Charge ("AMC")

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of the Company property, calculated as a percentage of the relevant value of the property of each class of the fund. The AMC is accrued on a daily basis by reference to the net asset value of each share class on that dealing day and the amount due for each month is payable on the last working day of the month.

The investment objective of the fund is to provide a combination of income and capital growth. The ACD and Depositary have agreed that 100% of the AMC of the fund is to be taken to capital for the purpose of calculating the distribution, as permitted by the OEIC regulations and in accordance with the Prospectus. The distribution currently payable reflects this treatment together with any associated tax effect.

##### General Administration Charge

All fees with the exception of the annual management charge, Depositary and safe custody fees have been replaced by a single ad valorem charge, the General Administration Charge ("GAC"). The ACD believes that this creates more efficiency around the charging process than more traditional methods. The GAC is calculated as a percentage of the scheme property and the amount each share class in each fund will pay will depend on the costs attributable to each share class based on whether the class is a 'retail' class or an 'Institutional' class. The GAC accrues on a daily basis and is payable to the ACD by each share class monthly.

For further details please refer to the Prospectus.

##### Allocation of revenue and expenses to multiple share classes

With the exception of the AMC, the GAC and revenue derived from the gains/losses on hedged class forward currency contracts, which are directly attributable to individual share classes, all revenue and expenses are allocated to share classes pro rata to the value of the net assets of the relevant share class on the day that the revenue or expense is incurred.

For further details please refer to the Prospectus.

#### (e) Exchange rates

Foreign currency transactions are translated into sterling at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies at the end of the accounting year are translated into sterling at the exchange rates prevailing at close of business on the last valuation day of the accounting year.

#### (f) Taxation

Provision is made for tax at the current rates on the excess of taxable revenue over allowable expenses, with relief for overseas taxation taken where appropriate.

Overseas dividends continue to be disclosed gross of any foreign tax suffered, the tax element being separately disclosed in the tax note.

Corporation tax is charged at 20% of the revenue liable to corporation tax less expenses.

Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. Deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Deferred tax assets are only recognised to the extent it is regarded as more likely than not that there will be taxable profits against which the future reversal of underlying timing differences can be offset.

#### (g) Cash flow statement

The fund is not required to produce a cash flow statement as it meets the exemption criteria set out in FRS102.7.1A.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### (h) Hedged share classes

Class A EUR (hedged) accumulation, Class I EUR (hedged) accumulation and Class I USD (hedged) accumulation are hedged share classes. Hedged share classes allow the ACD to use currency hedging transactions to reduce the effect of fluctuations in the rate of exchange between the currency of shares in those classes and Sterling which is the base currency of the fund.

Any benefits or losses of the hedging transactions should accrue to shareholders in that hedged share class only. However, the hedge may not always be 100% effective. The ACD will review the relevant hedging positions on a regular basis and, if considered appropriate, make adjustments to correct the allocations across share classes.

The currency transactions will not cause the Euro and US dollar hedged class shares to be leveraged. The value of the share class to be hedged will be made up of both capital and income elements and the ACD intends to hedge between 95-105% of the value of each hedged Share class. Adjustments to any hedge to keep within this target range will only be made when the required adjustment is material. As such the Euro and US dollar hedged class shares will not be completely protected from all currency fluctuations.

#### (i) Treatment of derivatives

In pursuing its investment objectives, the fund may hold a number of financial instruments.

Derivative transactions are accounted for on a trade date basis. Where such transactions are used to protect or enhance revenue and the circumstances support it, the revenue and expenses derived there from are included in 'Revenue' in the Statement of total return on an accruals basis. Where such transactions are used to protect or enhance capital and the circumstances support it, the gains and losses derived there from are included in 'Net capital gains/(losses)' in the Statement of total return.

#### Forward foreign currency contracts

Open forward currency contracts are shown in the portfolio statement at fair value and the net gains/(losses) are reflected in Forward currency contracts in Net capital gains/(losses) on investments.

#### (j) Dilution adjustment

The fund is priced on a single swinging price basis. The ACD has the discretion to charge a dilution adjustment when there is a large volume of deals and, in accordance with the FCA regulations, to pay this amount into the fund. In particular the ACD reserves the right to make such an adjustment in the following circumstances:

- On a fund experiencing large levels of net purchases (i.e. purchases less redemptions), relative to its size;
- On a fund experiencing large levels of net redemptions (i.e. redemptions less purchases), relative to its size;
- In any other case where the ACD is of the opinion that the interests of existing or continuing shareholders and potential investors require the imposition of a dilution adjustment.

### 2 Distribution Policy

The distribution policy of the fund is to distribute/accumulate all available revenue, after the deduction of expenses properly chargeable against revenue, subject to any of the annual management charge or other expense which may currently be transferred to capital. The fund pays dividend distributions.

Revenue attributed to accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of revenue.

For the purpose of calculating the distribution, interest on debt securities is computed on an effective yield basis, the same basis on which it is reflected in the financial statements as modified by the revaluation of investments.

Stock dividends are not taken into account when determining the amount available for distribution.

Marginal tax relief has been included when determining the amount available for distribution.

Gains and losses on investments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

When the revenue from investments exceeds the expenses, a distribution will be made. Should expenses exceed revenue there will be no distribution and the shortfall will be transferred from capital at the year end.

The fund makes distributions on a monthly basis for the M classes and on a quarterly basis (31 December, 31 March, 30 June, 30 September) for all other share classes.

## Notes to the financial statements (continued)

### 2 Distribution Policy (continued)

In the event that the income yielded is low (generally less than 1% p.a.) the ACD has the discretion not to make an income allocation in respect of a particular interim income allocation date and instead to hold over that payment until the final income allocation date.

All distributions unclaimed for a period of six years after having become due for payment shall be forfeited and shall revert to the fund.

### Equalisation

Equalisation applies only to shares purchased during the distributions period (group 2 shares). It is the average amount of revenue included in the purchase price of group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

### 3 Risk

In pursuing its investment objective the fund holds a number of financial instruments. These financial instruments comprise securities and other investments, cash balances, debtors and creditors arising from the fund's operations. The fund may also enter into derivatives, stock lending and forward transactions for the purpose of efficient portfolio management.

The risk management policy and process for the fund is designed to satisfy the regulatory requirements for a UCITS; associated regulatory technical standards and guidelines; and local regulations. The framework for risk controls and limits for the fund is documented within the ACD's Risk Management Policy and Process document, which outlines for each main risk category the controls and risk measures in place, including stress tests for assessing sensitivity to the most relevant risks. This risk framework includes setting of limits and monitoring against those limits.

In the normal course of business, the fund's activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. These financial risks: market risk (comprising currency risk, interest rate risk and other market price risk), credit and counterparty risk and liquidity risk and the approach to the management of these risks, are set out below and remain unchanged from the previous accounting year. For a detailed explanation of these and further risks involved in investing in the fund, reference should be made to the Prospectus; investors and prospective investors are recommended to discuss all potential risks with their own legal, tax and financial advisors.

The risk management systems to which the Janus Henderson Risk, Compliance and Operations teams have access for independent monitoring and risk measurement purposes include:

- Charles River system's Compliance module for investment restrictions monitoring;
- OneSumX (formerly ArcLogics) operational risk database;
- RiskMetrics, UBS Delta, Style Research, FinAnalytics and Barra Aegis for market risk measurement; and
- Bloomberg for market data and price checking.

These are supplemented by an in-house development, the Janus Henderson Derivatives Risk and Compliance database.

#### (a) Market risk

Market risk is the risk of loss resulting from fluctuations in the market value of positions in the fund attributable to changes in market variables such as interest rates, foreign exchange rates or an issuer's credit worthiness. The investments of the fund are subject to normal market fluctuations and other risks inherent in investing in securities in pursuance of the investment objective and policies as set out in the Prospectus.

Funds investing outside the UK are exposed to and can hold investments in currencies other than pounds sterling (the fund base currency), so fluctuations in exchange rates may cause the value of the investments to rise or fall. The fund may hold fixed interest securities which are the debts of governments and companies, generally in the form of bonds. These bonds are particularly affected by changes in interest rates, inflation and the decline in credit worthiness of an issuer, which may in turn affect the bond's value.

The fund may use derivatives for hedging purposes and efficient portfolio management. Derivatives are linked in value to an underlying asset and any fall in the value of that asset may result in a loss greater than the original amount invested in the derivative itself. It is not intended that using derivatives for efficient portfolio management will alter the risk profile or increase the volatility of the fund. In adverse situations, however, the fund's use of derivatives may become ineffective in hedging or efficient portfolio management and the fund may suffer significant loss as a result.



## Notes to the financial statements (continued)

### 3 Risk (continued)

#### (a) Market risk (continued)

The global exposure of the fund is measured using the commitment approach; the commitment approach means that financial derivative instruments are converted into the market value of the equivalent position in the underlying asset(s).

#### Sensitivity analysis

The sensitivity of the fund to market risk is calculated using the Value-at-Risk ("VaR") approach. VaR is a mathematical-statistical concept and is commonly used as a standard measure of risk in the financial sector. The maximum potential loss that the fund could suffer in normal market conditions within a given time horizon and a certain degree of confidence is estimated.

In these calculations all positions in the investment portfolio are taken into consideration including those undertaken for efficient portfolio management purposes. VaR is calculated using a Monte Carlo simulation approach; the following parameters are applied as a minimum: a one-tailed 99% confidence interval, a holding period equivalent to one month (20 business days), effective observation period (history) of risk factors of at least 1 year (250 business days), quarterly data set updates and daily calculation.

The actual VaR results, internal limit and utilisation of internal limit are summarised in the table below:

	Actual VaR in year			VaR internal limit	Utilisation of VaR internal limit		
	Minimum	Maximum	Average		Minimum	Maximum	Average
2017	4.28%	5.90%	5.13%	20%	21.38%	29.48%	25.65%
2016	4.01%	7.35%	5.85%	20%	20.07%	36.73%	29.25%

#### Leverage

The fund has not employed significant leverage in the current or prior year.

#### Currency risk

Currency risk is the risk that the value of the fund's investments will fluctuate as a result of changes in foreign currency exchange rates. A proportion of a fund's assets and income may be denominated in currencies other than sterling (the fund's functional currency and the one in which it reports its results). As a result, movements in exchange rates may affect the sterling value of those items so a fund's total return and Balance sheet can be significantly affected by currency fluctuations. This risk is managed by the Investment Manager using hedging transactions in line with the fund's investment objective, powers and limits, though this will not eliminate the fund's currency risk.

The fund's net exposure to currency risk (including any instruments used to hedge foreign currencies) is considered insignificant. This is consistent with the exposure during the prior year.

#### Hedged Share Classes

Class A EUR (hedged) accumulation, Class I EUR (hedged) accumulation and Class I USD (hedged) accumulation are hedged share classes. These hedged share classes allow the Investment Manager to use currency hedging transactions to seek to minimise the effect of exchange rate fluctuations between the share class currency and the base currency of the fund.

Hedging transactions may be entered into whether the Euro or US dollar (as appropriate) is declining or increasing in value relative to Sterling and so where such hedging is undertaken it may substantially protect investors in the relevant class against a decrease in the value of Sterling relative to the US dollar or Euro but it may also preclude investors from benefiting from an increase in the value of Sterling.

The performance of a hedged share class may differ from other share classes of the fund because the return on unhedged share classes is based on both the performance of the fund's investments and the performance of the portfolio currency relative to sterling whereas the return on a hedged share class should only be based on the performance of the fund's investments. However, there is no guarantee that the hedging strategy applied in hedged share classes will entirely eliminate the adverse effects of changes in exchange rates between the base currency and the share class currency.

## Notes to the financial statements (continued)

### 3 Risk (continued)

#### (a) Market risk (continued)

Where undertaken, the effect of hedging is reflected in the net asset value and therefore in the performance of the relevant hedged share class. Any benefits or losses of the hedging transactions should accrue to shareholders in that hedged share class only. However, the hedge may not always be 100% effective. The Investment Manager will review the relevant hedging positions on a regular basis and, if required, make appropriate adjustments.

While the Investment Manager may attempt to hedge currency risks, there can be no guarantee that it will be successful in doing so and it may result in mismatches between the currency position of the fund and the relevant hedged share class. As there is no segregation of hedged assets or liabilities between share classes, there is a risk that under certain circumstances, currency hedging transactions in relation to a share class could result in liabilities which might affect the net asset value of other share classes of the fund.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Some securities such as bonds are directly impacted by interest rate movements but others are indirectly affected.

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of the capital may fall, and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issue. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit rating (also known as sub investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds and may have an increased risk of default on repayment.

The interest rate risk profile of the fund's financial assets and liabilities at the year end is set out in the following table which shows separately the value of investments at fixed interest rates, at variable rates and those that are non-interest bearing including instruments used to hedge against changes in interest rates:

	Floating rate financial assets £000	Fixed rate assets £000	Non-interest bearing assets £000	Total £000
<b>2017</b>				
Euro	–	18,898	403	19,301
UK sterling	532,146	329,366	1,172,153	2,033,665
US dollar	8,093	189,477	271	197,841
<b>Total</b>	<b>540,239</b>	<b>537,741</b>	<b>1,172,827</b>	<b>2,250,807</b>
<b>2016</b>				
Euro	2,075	14,029	1	16,105
UK sterling	129,457	392,414	1,509,811	2,031,682
US dollar	5,986	107,412	278	113,676
<b>Total</b>	<b>137,518</b>	<b>513,855</b>	<b>1,510,090</b>	<b>2,161,463</b>

## Notes to the financial statements (continued)

### 3 Risk (continued)

#### (a) Market risk (continued)

##### Interest rate risk (continued)

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
<b>2017</b>				
UK sterling	–	–	12,847	12,847
US dollar	–	–	89	89
<b>Total</b>	<b>–</b>	<b>–</b>	<b>12,936</b>	<b>12,936</b>

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest bearing liabilities £000	Total £000
<b>2016</b>				
Euro	–	–	16,156	16,156
UK sterling	–	–	41	41
<b>Total</b>	<b>–</b>	<b>–</b>	<b>16,197</b>	<b>16,197</b>

#### Other market price risk

Other price risk is the risk that the value of the fund's investments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. The risk arises mainly from uncertainty about future prices of financial instruments the fund might hold. It represents the potential loss the fund might suffer through holding market positions in the face of price movements. The fund's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

#### (b) Credit and counterparty risk

Credit and counterparty risk is the risk of loss resulting from the possibility that the counterparty to a transaction may default on its obligations prior to the settlement of the transaction's cash flow.

In order to manage counterparty risk the fund is subject to investment limits for issuers of securities as outlined in the Prospectus. Issuer credit ratings are evaluated periodically and an approved issuer list is maintained and monitored. In addition the fund may only buy and sell investments through brokers which have been approved by the Investment Manager as an acceptable counterparty and limits are set and monitored to cover the exposure to any individual broker. Changes in brokers' financial ratings are periodically reviewed by the Janus Henderson Credit Risk Forum along with set limits and new counterparty approval.

The fund's assets that are held with banks are also exposed to credit risk. The banks used by the fund and ACD are subject to regular reviews. Only counterparties that have been approved by Janus Henderson's Credit Risk Forum are used for derivative transactions, as detailed in note 16; further details of stock lending activity and associated collateral are included in note 17.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the Financial Conduct Authority Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

## Notes to the financial statements (continued)

### 3 Risk (continued)

#### (b) Credit and counterparty risk (continued)

##### Credit ratings

2017	Market value £000	Percentage of net assets %
<b>Investments</b>		
Investment grade (AAA – BBB)	662,761	29.61
Unrated	45,781	2.05
<b>Total debt securities</b>	<b>708,542</b>	<b>31.66</b>
Derivatives	1,871	0.08
Equities	1,158,321	51.76
<b>Investment assets including investment liabilities</b>	<b>1,868,734</b>	<b>83.50</b>
Other net assets	369,137	16.50
<b>Total net assets</b>	<b>2,237,871</b>	<b>100.00</b>

2016	Market value £000	Percentage of net assets %
<b>Investments</b>		
Investment grade (AAA – BBB)	544,757	25.39
Below investment grade (BB and below)	73,162	3.41
Unrated	55,556	2.59
<b>Total debt securities</b>	<b>673,475</b>	<b>31.39</b>
Derivatives	742	0.03
Equities	1,121,058	52.27
<b>Investment assets including investment liabilities</b>	<b>1,795,275</b>	<b>83.69</b>
Other net assets	349,991	16.31
<b>Total net assets</b>	<b>2,145,266</b>	<b>100.00</b>

#### (c) Liquidity risk

Liquidity risk is the risk that a position in the fund's portfolio cannot be sold, liquidated or closed out at limited cost in an adequately short timeframe and that the ability of the fund to meet its settlement obligations is thereby compromised.

The fund is generally able to realise cash quickly to meet its liabilities. The main liquidity requirements of the fund include the redemption of any shares that a shareholder wishes to sell. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of shares.

The ACD manages the fund's cash position to ensure it can meet its liabilities. The ACD receives daily reports of subscriptions and redemptions enabling the ACD to raise cash from the fund's portfolio in order to meet redemption requests. In addition the ACD monitors market liquidity of all securities, with particular focus on collective investment schemes which may contain restrictions on withdrawals, seeking to ensure the fund maintains sufficient liquidity to meet known and potential redemption activity. The fund's cash balances are monitored daily by the ACD. When investments cannot be realised in time to meet any potential liability, the fund may borrow up to 10% of its value to ensure settlement.

## Notes to the financial statements (continued)

### 3 Risk (continued)

#### (c) Liquidity risk (continued)

The following table provides a maturity analysis of the fund's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2017</b>				
Derivative financial liabilities	–	409	–	–
Distribution payable	–	3,597	–	–
Other creditors	–	8,889	–	–
Provisions for liabilities	–	–	–	41
<b>Total</b>	<b>–</b>	<b>12,895</b>	<b>–</b>	<b>41</b>

	On demand £000	Within one year £000	Over one year but not more than five years £000	Over five years £000
<b>2016</b>				
Derivative financial liabilities	–	94	–	–
Distribution payable	–	3,836	–	–
Other creditors	–	12,244	–	–
Provisions for liabilities	–	–	–	23
<b>Total</b>	<b>–</b>	<b>16,174</b>	<b>–</b>	<b>23</b>

## Notes to the financial statements (continued)

### 4 Net capital gains/(losses)

Net capital gains/(losses) on investments during the year comprise:

	2017 £000	2016 £000
Forward currency contracts	1,653	(20,135)
Forward currency contracts on hedged share classes	(50)	386
Non-derivative securities	91,721	3,515
Other currency gains/(losses)	648	(108)
Transaction costs	(27)	(22)
<b>Net capital gains/(losses)</b>	<b>93,945</b>	<b>(16,364)</b>

### 5 Revenue

	2017 £000	2016 £000
Bank interest	194	789
Derivative revenue	1	2
Interest on debt securities	26,853	28,153
Overseas dividends	3,405	1,592
Stock dividends	1,018	155
Stock lending revenue	208	201
UK dividends	43,663	44,760
UK REIT revenue – PID	1,219	768
UK REIT revenue – non PID	67	178
Underwriting commission	50	–
<b>Total revenue</b>	<b>76,678</b>	<b>76,598</b>

### 6 Expenses

	2017 £000	2016 £000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	18,628	19,067
GAC*	2,464	2,556
	<u>21,092</u>	<u>21,623</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary fees	161	251
Safe custody fees	74	72
	<u>235</u>	<u>323</u>
<b>Total expenses</b>	<b>21,327</b>	<b>21,946</b>

Irrecoverable VAT is included in the above expenses where relevant

\* The current audit fee, which is levied through the GAC, is £12,064 (2016: £11,371).

## Notes to the financial statements (continued)

### 7 Taxation

#### a) Analysis of charge in the year

The tax charge comprises:

	2017 £000	2016 £000
Current tax:		
UK corporation tax	888	1,254
Overseas withholding tax	–	21
<b>Total tax</b>	<b>888</b>	<b>1,275</b>
Deferred tax (note 7c)	18	(5)
<b>Total taxation (note 7b)</b>	<b>906</b>	<b>1,270</b>

#### b) Factors affecting tax charge for year

The tax assessed for the year is different to the standard rate of corporation tax in the UK for funds of authorised open ended investment companies (OEICS) of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Net revenue before taxation	55,351	54,652
Corporation tax at 20% (2016: 20%)	11,070	10,930
Effects of:		
Indexation tax adjustments	(531)	(345)
Irrecoverable overseas tax	–	21
Other non-taxable income	(2)	–
Overseas dividends*	(681)	(318)
Stock dividends*	(204)	(31)
UK dividends**	(8,746)	(8,987)
<b>Tax charge for the year (note 7a)</b>	<b>906</b>	<b>1,270</b>

\* Certain overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.

\*\* As an OEIC this item is not subject to corporation tax.

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

#### c) Deferred tax

	2017 £000	2016 £000
Adjustments in respect of prior years	23	28
Deferred tax charge for year (note 7a)	18	(5)
<b>Provision at end of year</b>	<b>41</b>	<b>23</b>

#### d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior accounting year end.

## Notes to the financial statements (continued)

### 8 Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2017 £000	2016 £000
Interim income	11,501	10,382
Interim accumulation	41,828	39,420
Final income	3,597	3,836
Final accumulation	11,357	14,499
	<u>68,283</u>	<u>68,137</u>
Amounts deducted on cancellation of shares	927	828
Amounts received on issue of shares	(470)	(421)
<b>Total distributions</b>	<u><b>68,740</b></u>	<u><b>68,544</b></u>

Net revenue after taxation	54,445	53,382
Annual management charge borne by the capital account	18,628	19,067
Equalisation on conversions	5	64
Stock dividend	(1,018)	(155)
Tax relief on capital expenses	(3,320)	(3,814)
<b>Total distributions</b>	<u><b>68,740</b></u>	<u><b>68,544</b></u>

Details of the distribution per share are set out in the distributions tables on pages 45 to 52.

### 9 Debtors

	2017 £000	2016 £000
Accrued revenue	11,105	12,373
Amounts receivable for issue of shares	1,122	339
Sales awaiting settlement	–	5,365
<b>Total debtors</b>	<u><b>12,227</b></u>	<u><b>18,077</b></u>

### 10 Cash and bank balances

	2017 £000	2016 £000
Cash and bank balances	369,437	348,017
<b>Total cash and bank balances</b>	<u><b>369,437</b></u>	<u><b>348,017</b></u>



## Notes to the financial statements (continued)

### 11 Provisions for liabilities

	2017 £000	2016 £000
The provisions for liabilities comprise:		
Deferred tax	41	23
<b>Total provisions for liabilities</b>	<b>41</b>	<b>23</b>

### 12 Other creditors

	2017 £000	2016 £000
Accrued annual management charge	1,604	1,526
Accrued Depositary's fee	8	23
Accrued other expenses	228	218
Amounts payable for cancellation of shares	2,988	1,350
Corporation tax payable	391	885
Purchases awaiting settlement	3,670	8,242
<b>Total other creditors</b>	<b>8,889</b>	<b>12,244</b>

### 13 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

### 14 Related party transactions

The fund has early adopted the July 2015 amendment to section 33 of FRS102 which is applicable to accounting periods beginning on or after 1 January 2016 with earlier application permitted. Section 33 requires disclosure of the nature of any related party relationship as well as details of any transactions and outstanding balances carried out between the related party and the fund.

Henderson Investment Funds Limited as ACD to the fund is deemed to be a related party because it provides key management personnel services to the fund. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', the 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 23 and 24 and notes 6, 8, 9 and 12 on pages 34 to 37 including all issues and cancellations where the ACD acted as principal.

Transactions with the ACD are as follows:

- All issues and cancellations,
- Annual management charge
- GAC

There were no material shareholders at the year end (2016: nil).

## Notes to the financial statements (continued)

### 15 Shareholders' funds

The fund currently has 7 share classes available; Class A (Retail with front-end charges), Class A Euro (Retail with front-end charges EUR), Class C (Private), Class I (Institutional), Class I EUR (Institutional EUR), Class I USD (Institutional USD) and Class M. The annual management charge on each share class is as follows:

	2017	2016
Class A	1.25%	1.25%
Class C	0.50%	0.50%
Class I	0.625%	0.625%
Class M	1.50%	1.50%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative tables on pages 8 to 14. The distribution per share class is given in the distribution tables on pages 45 to 52. All share classes have the same rights on winding up.

### Share reconciliation as at 31 July 2017

	Class A accumulation	Class A income	Class C accumulation
Opening number of shares	260,438,030	99,365,674	6,186,916
Issues during the year	2,140,563	13,926,691	156,827
Cancellations during the year	(26,555,041)	(7,420,406)	(534,685)
Shares converted during the year	(12,750,029)	(925,818)	–
<b>Closing shares in issue</b>	<b>223,273,523</b>	<b>104,946,141</b>	<b>5,809,058</b>

	Class I accumulation	Class I income	Class M accumulation
Opening number of shares	458,338,028	239,315,491	1,491,684
Issues during the year	15,558,154	63,278,488	753,843
Cancellations during the year	(37,321,001)	(15,273,733)	(466,774)
Shares converted during the year	13,562,086	2,559,175	–
<b>Closing shares in issue</b>	<b>450,137,267</b>	<b>289,879,421</b>	<b>1,778,753</b>

	Class M income	Class A EUR (hedged) accumulation	Class I EUR (hedged) accumulation
Opening number of shares	10,942,191	258	1,282
Issues during the year	183,235	–	15,912
Cancellations during the year	(1,234,054)	–	(1,025)
Shares converted during the year	(137,767)	–	–
<b>Closing shares in issue</b>	<b>9,753,605</b>	<b>258</b>	<b>16,169</b>

## Notes to the financial statements (continued)

### 15 Shareholders' funds (continued)

	Class I USD (hedged) accumulation
Opening number of shares	416,830
Creations during the year	405,562
Cancellations during the year	(52,445)
Shares converted during the year	–
<b>Closing shares in issue</b>	<b>769,947</b>

### 16 Financial derivatives

The Fund has used financial derivatives for investment purposes and efficient portfolio management.

Eligible collateral types are approved by the Investment Manager and are agreed with the relevant counterparty.

The counterparty exposure is calculated using the positive mark-to-market value of the derivative contract with each counterparty.

At 31 July 2017 there was no collateral pledged or collateral held in respect of derivatives for this fund (2016: nil).

At 31 July 2017 underlying exposure for the derivatives held was as follows:

Counterparty	Forward foreign currency contracts £000
BNP Paribas	2,277
J P Morgan	3
	<b>2,280</b>

At 31 July 2016 the underlying exposure for the derivatives held was as follows:

Counterparty	Forward foreign currency contracts £000
BNP Paribas	836
	<b>836</b>

## Notes to the financial statements (continued)

### 17 Stock lending

The fund and the Investment Manager have entered into a stock lending programme with BNP Paribas acting as the stock lending agent for the purposes of efficient portfolio management and in order to generate additional income and capital.

Stock lending revenue is disclosed under 'Revenue' in the Statement of total return.

Eligible collateral types for Stock Lending and borrowing transactions are approved by the Investment Manager and may consist of securities issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and organisations with regional, EU and world-wide scope, generally subject to a minimum long term credit rating of at least A- by one or more major rating agency or equities. Collateral should be highly liquid and traded on a regulated market. Collateral is subject to a haircut on a sliding scale based on the combination of the underlying instrument being lent versus the asset being received as collateral. The value of collateral required will range from 102.50% to 110.00% of the value of the stock on loan.

2017	Total market value of securities on loan £000	Amount of collateral received £000	Type of collateral
Counterparty			
ABN AMRO	933	1,037	Equity
Bank of Nova Scotia	25,480	28,314	Equity
Barclays	2,296	2,457	Corporate Bond
Barclays	1,876	1,992	Government Bond
	4,172	4,449	
BNP Paribas	3,747	4,307	Corporate Bond
Citigroup	12,997	13,322	Government Bond
Deutsche Bank	1,627	1,806	Equity
ING	1,311	1,457	Equity
J P Morgan	80,273	87,451	Corporate Bond
J P Morgan	67,629	75,212	Equity
J P Morgan	12,093	13,174	Government Bond
	159,995	175,837	
NATIX	67,336	74,818	Equity
Société Générale	1,196	1,331	Equity
	278,794	306,678	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	245	37	208

## Notes to the financial statements (continued)

### 17 Stock lending (continued)

2016

Counterparty	Total market value of securities on loan £000	Amount of collateral received £000	Type of collateral
ABN AMRO	73	81	Equity
ABN AMRO	58,372	61,300	Government Bond
	58,445	61,381	
Bank of Nova Scotia	6,122	6,431	Corporate Bond
Bank of Nova Scotia	1,451	1,525	Government Bond
	7,573	7,956	
Citigroup	50	55	Corporate Bond
Citigroup	143	155	Government Bond
	193	210	
Deutsche Bank	4,838	5,081	Government Bond
HSBC Bank PLC Triparty	10	10	Corporate Bond
HSBC Bank PLC Triparty	1,276	1,309	Government Bond
	1,286	1,319	
ING Bank	32	63	Corporate Bond
ING Bank	1,075	2,100	Government Bond
	1,107	2,163	
J P Morgan	37,700	38,709	Government Bond
NATIXIS	2,703	2,842	Government Bond
Société Générale	775	852	Equity
Société Générale	28,635	30,072	Government Bond
	29,410	30,924	
	143,255	150,585	

Recipient	Relationship	Gross income £000	Direct and indirect expenses £000	Net income £000
BNP Paribas	Stock lending agent	236	35	201

## Notes to the financial statements (continued)

### 18 Fair value disclosure

#### Fair value measurement

The fund has early adopted the March 2016 amendment to section 34 of FRS102 (Fair Value Hierarchy disclosures that simplify the preparation of financial instrument disclosure), which is applicable to accounting periods beginning on or after 1 January 2017 with earlier application permitted.

The intention of a fair value measurement is to estimate the price at which an asset or a liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the fund classifies fair value measurement under the following levels:

#### Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Inputs other than quoted prices included within level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

#### Level 3

Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

#### Fair value hierarchy

	2017		2016	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Level 1	1,488,994*	–	1,370,776*	–
Level 2	380,097	409	424,593	94
Level 3	52	–	–	–
	<b>1,869,143</b>	<b>409</b>	<b>1,795,369</b>	<b>94</b>

\* Debt securities included in the highest fair value hierarchy level, where their valuation is determined to be sufficiently close to a binding quoted price, amount to £330,672,757 as at 31 July 2017 (2016: £249,716,965).

Where a price is unavailable or the price provided is not thought to be a fair reflection of the current market value of the asset, the Investment Manager, at its discretion, may permit some other method of valuation to be used if they consider that it better reflects value and is in accordance with good accounting practice. A Global Fair Value Pricing Committee ('GFVPC') of the Investment Manager is responsible for determining or approving unquoted prices. Where deemed necessary, the GFVPC will seek ratification of decisions from the Janus Henderson Investment Performance and Risk Committee. The GFVPC meets on a monthly basis and consists of representatives from various parts of the Investment manager who act as an independent party, segregated from the fund management function, to review and approve fair value pricing decisions and pricing models on a regular basis. The asset included within level 3 is a defaulted bond which has been valued by the GFVPC using the latest available broker price.

## Notes to the financial statements (continued)

### 19 Direct transaction costs

	Purchases		Sales	
	2017	2016	2017	2016
	£000	£000	£000	£000
<b>Trades in the year</b>				
Debt securities	195,415	84,522	169,874	151,615
Equities	377,674	255,728	411,097	234,301
<b>Trades in the year before transaction costs</b>	<b>573,089</b>	<b>340,250</b>	<b>580,971</b>	<b>385,916</b>
<b>Transaction costs</b>				
<b>Commissions</b>				
Debt securities	–	–	–	–
Equities	250	205	280	206
<b>Total commissions</b>	<b>250</b>	<b>205</b>	<b>280</b>	<b>206</b>
<b>Taxes</b>				
Debt securities	–	–	–	–
Equities	1,628	1,213	–	–
<b>Total taxes</b>	<b>1,628</b>	<b>1,213</b>	<b>–</b>	<b>–</b>
<b>Other expenses</b>				
Debt securities	–	–	–	–
Equities	–	–	–	–
<b>Total other expenses</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total transaction costs</b>	<b>1,878</b>	<b>1,418</b>	<b>280</b>	<b>206</b>
<b>Total net trades in the year after transaction costs</b>	<b>574,967</b>	<b>341,668</b>	<b>580,691</b>	<b>385,710</b>

	Purchases		Sales	
	2017	2016	2017	2016
	%	%	%	%
<b>Total transaction costs expressed as a percentage of asset type cost</b>				
<b>Commissions</b>				
Debt securities	–	–	–	–
Equities	0.07	0.06	0.07	0.05
<b>Taxes</b>				
Debt securities	–	–	–	–
Equities	0.43	0.36	–	–
<b>Other expenses</b>				
Debt securities	–	–	–	–
Equities	–	–	–	–

## Notes to the financial statements (continued)

### 19 Direct transaction costs (continued)

	2017 %	2016 %
<b>Total transaction cost expressed as a percentage of net asset value</b>		
Commissions	0.02	0.02
Taxes	0.08	0.06
Other expenses	—	—
<b>Total costs</b>	<b>0.10</b>	<b>0.08</b>

There were no in specie transfers identified during the year (2016: nil). There were corporate actions of £16,344,537 identified during the year (2016: £38,823,877).

There were no direct transaction costs associated with derivatives during the year (2016: nil).

Direct transaction costs are fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the fund. These exclude any differences between quoted bid and offer prices or internal administrative or holding costs.

Transaction costs for bonds are not separately identifiable as with other financial instruments as the costs form part of the dealing spread and therefore are inherent within the purchase and sale prices of the trade.

The portfolio dealing spread as at 31 July 2017 was 0.23% (2016: 0.25%). The portfolio dealing spread is calculated at the fund's 12 noon valuation point.

### 20 Events after the Balance sheet date

There were no material post Balance sheet events requiring disclosure in these financial statements.



## Distribution tables for the year ended 31 July 2017 (in pence per share)

### Interim dividend distribution (accounting date 31 August 2016, paid on 30 September 2016)

Group 1: shares purchased prior to 1 August 2016

Group 2: shares purchased on or after 1 August 2016

	Distribution per share	Equalisation	Total distribution per share 30/09/16	Total distribution per share 30/09/15*
<b>Class M accumulation</b>				
Group 1	0.3165	–	0.3165	0.3165
Group 2	–	0.3165	0.3165	0.3165
<b>Class M income</b>				
Group 1	0.3000	–	0.3000	0.3000
Group 2	–	0.3000	0.3000	0.3000

\* Distribution is shown net of 10% notional tax credit.

### Interim dividend distribution (accounting date 30 September 2016, paid on 30 October 2016)

Group 1: shares purchased prior to 1 September 2016

Group 2: shares purchased on or after 1 September 2016

	Distribution per share	Equalisation	Total distribution per share 30/10/16	Total distribution per share 31/10/15*
<b>Class M accumulation</b>				
Group 1	0.3165	–	0.3165	0.3165
Group 2	–	0.3165	0.3165	0.3165
<b>Class M income</b>				
Group 1	3.0000	–	3.0000	0.3000
Group 2	–	3.0000	3.0000	0.3000

\* Distribution is shown net of 10% notional tax credit.

### Interim dividend distribution (accounting date 31 October 2016, paid on 30 November 2016)

Group 1: shares purchased prior to 1 October 2016

Group 2: shares purchased on or after 1 October 2016

	Distribution per share	Equalisation	Total distribution per share 30/11/16	Total distribution per share 30/11/15*
<b>Class M accumulation</b>				
Group 1	0.3165	–	0.3165	0.3165
Group 2	–	0.3165	0.3165	0.3165
<b>Class M income</b>				
Group 1	0.3000	–	0.3000	0.3000
Group 2	–	0.3000	0.3000	0.3000

\* Distribution is shown net of 10% notional tax credit.

## Distribution tables (continued)

Interim dividend distribution (accounting date 31 October 2016, paid on 31 December 2016)

Group 1: shares purchased prior to 1 October 2016

Group 2: shares purchased on or after 1 October 2016

	Distribution per share	Equalisation	Total distribution per share 31/12/16	Total distribution per share 31/12/15*
<b>Class A accumulation</b>				
Group 1	2.1979	–	2.1979	1.9139
Group 2	0.9621	1.2358	2.1979	1.9139
<b>Class A income</b>				
Group 1	1.3274	-	1.3274	1.1931
Group 2	0.2441	1.0833	1.3274	1.1931
<b>Class C accumulation</b>				
Group 1	6.0972	–	6.0972	5.3190
Group 2	2.8378	3.2594	6.0972	5.3190
<b>Class I accumulation</b>				
Group 1	1.9841	–	1.9841	1.7399
Group 2	0.8651	1.1190	1.9841	1.7399
<b>Class I income</b>				
Group 1	1.0899	–	1.0899	0.9873
Group 2	0.4616	0.6283	1.0899	0.9873
<b>Class A EUR (hedged) accumulation<sup>1</sup> (Euro cents per share)</b>				
Group 1	8.6954	–	8.6954	7.7662
Group 2	8.6954	–	8.6954	7.7662
<b>Class I EUR (hedged) accumulation<sup>1</sup> (Euro cents per share)</b>				
Group 1	8.9648	–	8.9648	8.0017
Group 2	3.1466	5.8182	8.9648	8.0017
<b>Class I USD (hedged) accumulation<sup>2</sup> (USD cents per share)</b>				
Group 1	9.5545	–	9.5545	8.5437
Group 2	3.9906	5.5639	9.5545	8.5437

\* Distribution is shown net of 10% notional tax credit.

<sup>1</sup> in Euro cents per share

<sup>2</sup> in USD cents per share

## Distribution tables (continued)

### Interim dividend distribution (accounting date 30 November 2016, paid on 30 December 2016)

Group 1: shares purchased prior to 1 November 2016

Group 2: shares purchased on or after 1 November 2016

	Distribution per share	Equalisation	Total distribution per share 30/12/16	Total distribution per share 31/12/15*
<b>Class M accumulation</b>				
Group 1	0.3165	–	0.3165	0.3165
Group 2	–	0.3165	0.3165	0.3165
<b>Class M income</b>				
Group 1	0.3000	–	0.3000	0.3000
Group 2	–	0.3000	0.3000	0.3000

\* Distribution is shown net of 10% notional tax credit.

### Interim dividend distribution (accounting date 31 December 2016, paid on 31 January 2017)

Group 1: shares purchased prior to 1 December 2016

Group 2: shares purchased on or after 1 December 2016

	Distribution per share	Equalisation	Total distribution per share 31/01/17	Total distribution per share 29/01/16*
<b>Class M accumulation</b>				
Group 1	0.3165	–	0.3165	0.2240
Group 2	0.0614	0.2551	0.3165	0.2240
<b>Class M income</b>				
Group 1	0.3000	–	0.3000	0.1980
Group 2	–	0.3000	0.3000	0.1980

\* Distribution is shown net of 10% notional tax credit.

### Interim dividend distribution (accounting date 31 January 2017, paid on 28 February 2017)

Group 1: shares purchased prior to 1 January 2017

Group 2: shares purchased on or after 1 January 2017

	Distribution per share	Equalisation	Total distribution per share 28/02/17	Total distribution per share 29/02/16*
<b>Class M accumulation</b>				
Group 1	0.1381	–	0.1381	0.1131
Group 2	–	0.1381	0.1381	0.1131
<b>Class M income</b>				
Group 1	0.1179	–	0.1179	0.0997
Group 2	0.0115	0.1064	0.1179	0.0997

\* Distribution is shown net of 10% notional tax credit.

## Distribution tables (continued)

Interim dividend distribution (accounting date 31 January 2017, paid on 31 March 2017)

Group 1: shares purchased prior to 1 January 2017

Group 2: shares purchased on or after 1 January 2017

	Distribution per share	Equalisation	Total distribution per share 31/03/17	Total distribution per share 31/03/16*
<b>Class A accumulation</b>				
Group 1	1.3493	–	1.3493	1.2126
Group 2	0.4406	0.9087	1.3493	1.2126
<b>Class A income</b>				
Group 1	0.8077	–	0.8077	0.7498
Group 2	0.4090	0.3987	0.8077	0.7498
<b>Class C accumulation</b>				
Group 1	3.7203	–	3.7203	3.4362
Group 2	0.7663	2.9540	3.7203	3.4362
<b>Class I accumulation</b>				
Group 1	1.2200	–	1.2200	1.1189
Group 2	0.4108	0.8092	1.2200	1.1189
<b>Class I income</b>				
Group 1	0.6643	–	0.6643	0.6296
Group 2	0.2186	0.4457	0.6643	0.6296
<b>Class A EUR (hedged) accumulation<sup>1</sup> (Euro cents per share)</b>				
Group 1	5.5112	–	5.5112	4.7965
Group 2	5.5112	–	5.5112	4.7965
<b>Class I EUR (hedged) accumulation<sup>1</sup> (Euro cents per share)</b>				
Group 1	5.6450	–	5.6450	5.1128
Group 2	2.4908	3.1542	5.6450	5.1128
<b>Class I USD (hedged) accumulation<sup>2</sup> (USD cents per share)</b>				
Group 1	5.9838	–	5.9838	5.3753
Group 2	2.6950	3.2888	5.9838	5.3753

\* Distribution is shown net of 10% notional tax credit.

<sup>1</sup> in Euro cents per share

<sup>2</sup> in USD cents per share

## Distribution tables (continued)

### Interim dividend distribution (accounting date 28 February 2017, paid on 31 March 2017)

Group 1: shares purchased prior to 1 February 2017

Group 2: shares purchased on or after 1 February 2017

	Distribution per share	Equalisation	Total distribution per share 31/03/17	Total distribution per share 31/03/16*
<b>Class M accumulation</b>				
Group 1	0.3165	–	0.3165	0.3165
Group 2	0.0987	0.2178	0.3165	0.3165
<b>Class M income</b>				
Group 1	0.3000	–	0.3000	0.3000
Group 2	0.0598	0.2402	0.3000	0.3000

\* Distribution is shown net of 10% notional tax credit.

### Interim dividend distribution (accounting date 31 March 2017, paid on 28 April 2017)

Group 1: shares purchased prior to 1 March 2017

Group 2: shares purchased on or after 1 March 2017

	Distribution per share	Equalisation	Total distribution per share 28/04/17	Total distribution per share 29/04/16
<b>Class M accumulation</b>				
Group 1	0.3165	–	0.3165	0.3165
Group 2	–	0.3165	0.3165	0.3165
<b>Class M income</b>				
Group 1	0.3000	–	0.3000	0.3000
Group 2	–	0.3000	0.3000	0.3000

### Interim dividend distribution (accounting date 30 April 2017, paid on 31 May 2017)

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased on or after 1 April 2017

	Distribution per share	Equalisation	Total distribution per share 31/05/17	Total distribution per share 31/05/16
<b>Class M accumulation</b>				
Group 1	0.3165	–	0.3165	0.3165
Group 2	–	0.3165	0.3165	0.3165
<b>Class M income</b>				
Group 1	0.3000	–	0.3000	0.3000
Group 2	–	0.3000	0.3000	0.3000

## Distribution tables (continued)

Interim dividend distribution (accounting date 30 April 2017, paid on 30 June 2017)

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased on or after 1 April 2017

	Distribution per share	Equalisation	Total distribution per share 30/06/17	Total distribution per share 30/06/16
<b>Class A accumulation</b>				
Group 1	2.7451	–	2.7451	2.3419
Group 2	1.1721	1.5730	2.7451	2.3419
<b>Class A income</b>				
Group 1	1.6346	–	1.6346	1.4406
Group 2	0.9240	0.7106	1.6346	1.4406
<b>Class C accumulation</b>				
Group 1	7.5968	–	7.5968	6.4529
Group 2	2.4204	5.1764	7.5968	6.4529
<b>Class I accumulation</b>				
Group 1	2.4828	–	2.4828	2.1059
Group 2	1.1410	1.3418	2.4828	2.1059
<b>Class I income</b>				
Group 1	1.3445	–	1.3445	1.1787
Group 2	0.6040	0.7405	1.3445	1.1787
<b>Class A EUR (hedged) accumulation<sup>1</sup> (Euro cents per share)</b>				
Group 1	11.5785	–	11.5785	9.4812
Group 2	11.5785	–	11.5785	9.4812
<b>Class I EUR (hedged) accumulation<sup>1</sup> (Euro cents per share)</b>				
Group 1	11.4577	–	11.4577	9.6783
Group 2	11.4577	–	11.4577	9.6783
<b>Class I USD (hedged) accumulation<sup>2</sup> (USD cents per share)</b>				
Group 1	12.6349	–	12.6349	10.2804
Group 2	4.9634	7.6715	12.6349	10.2804

<sup>1</sup> in Euro cents per share

<sup>2</sup> in USD cents per share

## Distribution tables (continued)

### Interim dividend distribution (accounting date 31 May 2017, paid on 30 June 2017)

Group 1: shares purchased prior to 1 May 2017

Group 2: shares purchased on or after 1 May 2017

	Distribution per share	Equalisation	Total distribution per share 30/06/17	Total distribution per share 30/06/16
<b>Class M accumulation</b>				
Group 1	0.3165	–	0.3165	0.3165
Group 2	–	0.3165	0.3165	0.3165
<b>Class M income</b>				
Group 1	0.3000	–	0.3000	0.3000
Group 2	–	0.3000	0.3000	0.3000

### Interim dividend distribution (accounting date 30 June 2017, paid on 31 July 2017)

Group 1: shares purchased prior to 1 June 2017

Group 2: shares purchased on or after 1 June 2017

	Distribution per share	Equalisation	Total distribution per share 31/07/17	Total distribution per share 29/07/16
<b>Class M accumulation</b>				
Group 1	0.3165	–	0.3165	0.3165
Group 2	–	0.3165	0.3165	0.3165
<b>Class M income</b>				
Group 1	0.3000	–	0.3000	0.3000
Group 2	–	0.3000	0.3000	0.3000

### Final dividend distribution (accounting date 31 July 2017, paid on 31 August 2017)

Group 1: shares purchased prior to 1 July 2017

Group 2: shares purchased on or after 1 July 2017

	Distribution per share	Equalisation	Total distribution per share 31/08/17	Total distribution per share 31/08/16
<b>Class M accumulation</b>				
Group 1	0.7630	–	0.7630	0.6806
Group 2	0.0603	0.7027	0.7630	0.6806
<b>Class M income</b>				
Group 1	0.6426	–	0.6426	0.5918
Group 2	0.0305	0.6121	0.6426	0.5918

## Distribution tables (continued)

Final dividend distribution (accounting date 31 July 2017, paid on 29 September 2017)

Group 1: shares purchased prior to 1 July 2017

Group 2: shares purchased on or after 1 July 2017

	Distribution per share	Equalisation	Total distribution per share 29/09/17	Total distribution per share 30/09/16
<b>Class A accumulation</b>				
Group 1	1.7582	–	1.7582	2.0829
Group 2	0.5913	1.1669	1.7582	2.0829
<b>Class A income</b>				
Group 1	1.0359	–	1.0359	1.2686
Group 2	0.5624	0.4735	1.0359	1.2686
<b>Class C accumulation</b>				
Group 1	4.8406	–	4.8406	5.7797
Group 2	0.3608	4.4798	4.8406	5.7797
<b>Class I accumulation</b>				
Group 1	1.5755	–	1.5755	1.8933
Group 2	0.7855	0.7900	1.5755	1.8933
<b>Class I income</b>				
Group 1	0.8441	–	0.8441	1.0491
Group 2	0.5364	0.3077	0.8441	1.0491
<b>Class A EUR (hedged) accumulation<sup>1</sup> (Euro cents per share)</b>				
Group 1	6.6450	–	6.6450	8.4554
Group 2	6.6450	–	6.6450	8.4554
<b>Class I EUR (hedged) accumulation<sup>1</sup> (Euro cents per share)</b>				
Group 1	7.1404	–	7.1404	8.7396
Group 2	7.1404	–	7.1404	8.7396
<b>Class I USD (hedged) accumulation<sup>2</sup> (USD cents per share)</b>				
Group 1	7.5051	–	7.5051	9.1019
Group 2	1.5376	5.9675	7.5051	9.1019

<sup>1</sup> in Euro cents per share

<sup>2</sup> in USD cents per share



## Appendix – Additional Information (unaudited)

### Remuneration Policy

Following the implementation of the UCITS V in the UK from 18 March 2016, all authorised UCITS Management Companies are required to comply with the UCITS Remuneration Code. Under the Code, the Remuneration Committee of Henderson Group plc\* in its oversight of Henderson Investment Funds Limited ("HIFL") must make relevant remuneration disclosures in the first full performance year following the implementation date.

The disclosures must split remuneration between fixed and variable remuneration and must break down remuneration for categories of UCITS Code Staff (defined as all staff whose professional activities have a material impact on the risk profiles of the fund it manages). The Henderson Group plc\* Remuneration Committee approves the list of UCITS Code Staff annually. In addition, identified UCITS Code Staff are notified of their status and the associated implications annually.

Henderson Investment Funds Series II is managed by HIFL, which is a subsidiary of Janus Henderson Group plc.

The Remuneration Committee of Henderson Group plc\* has established a Remuneration Policy, one of the guiding principles of which is to ensure that the remuneration of its employees is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is consistent with risk profiles, rules or instruments of incorporation of each ACD and the funds they manage. This policy applies to HIFL and Henderson Investment Funds Series II.

Further information on the Henderson Group plc\* Remuneration Policy is available in the Henderson Group plc\* annual report and accounts.

	Headcount (1)	Total Remuneration (£'000s) (2,3)
<b>Henderson Cautious Managed Fund</b>	831	2,883
<b>of which</b>		
Fixed Remuneration	831	1,059
Variable Remuneration	824	1,824
Carried Interest	n/a	–
<b>Henderson Cautious Managed Fund Remuneration Code Staff</b>	36	1,702
<b>of which</b>		
Senior Management (4)	18	248
Other Code Staff (5)	18	1,454

1. This is the actual number of employees who are fully or partly involved in the activities of Henderson Investment Funds Series II – no attempt has been made to apportion the time spent specifically in support of the Henderson Cautious Managed Fund as this data is not captured as part of the Company's normal processes.
2. Please note that due to the employment structure and resourcing of the Henderson Group plc\*, the staff indicated in this table may provide services to other companies in the Henderson Group plc\*.
3. The remuneration disclosed is only in respect of the provision of services to the fund for the year, rather than the total remuneration for the year – for this purpose, remuneration has been apportioned between the provision of services to the Henderson Investment Funds Series II and to other entities in the Henderson Group plc\*, as follows:
  - in respect of fixed pay and annual/long term incentive bonuses:
  - for fund managers, pro-rated using the average AUM of the Henderson Investment Funds Series II managed by the relevant fund manager (as a proportion of the total AUM managed by that individual) as a proxy.
  - for other individuals, pro-rated using the average AUM of the Henderson Investment Funds Series II (as a proportion of the aggregate average AUM of Henderson Group plc\*) as a proxy.
4. Senior Management includes the Henderson Executive Committee and other Group Board members and the Board of HIFL.
5. Other Code Staff includes all other UCITS Code Staff not covered by the above, including Investment Fund Managers who manage AUM within the Henderson Investment Funds Series II.

\* Henderson Group plc merged with Janus Capital on 30 May 2017 to become Janus Henderson Group plc, the employee and compensation metrics and the average AUM across the preceding 12 months are largely based on the Henderson Group plc prior to the merger.

## Appendix – Additional Information (unaudited) (continued)

### Securities Financing Transactions

The fund engages in Securities Financing Transactions (SFTs) (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the fund's involvement in and exposures related to securities lending for the accounting period ended 31 July 2017 are detailed below.

### Global Data

The table lists the amount of securities on loan as a proportion of total lendable assets and the fund's assets under management (AUM) as at 31 July 2017:

Stock lending			
Fund	Market value of securities on loan £000	% of lendable assets	% of AUM
Henderson Cautious Managed Fund	278,794	14.92%	12.46%

### Concentration Data

The following table lists the ten largest collateral issuers by value of collateral received (across all SFTs) for the fund as at 31 July 2017:

Issuer	Market value of collateral received £000
KFW	82,519
UK Treasury	13,854
Toyota Motor	7,816
CRH	7,486
ASML	6,807
European Financial Stability Facility	6,148
Telefonica	6,143
Government of Ireland	6,074
Link REIT	6,063
Siemens	5,972

The following table details the top ten counterparties of each type of SFTs (based on gross volume of outstanding transactions), for the fund as at 31 July 2017:

Counterparty	Market value of securities on loan £000	Settlement basis
J P Morgan	159,995	Tri-party
Natixis	67,336	Tri-party
Bank of Nova Scotia	25,480	Tri-party
Citigroup	12,997	Tri-party
Barclays	4,172	Tri-party
BNP Paribas	3,747	Tri-party
Deutsche Bank	1,627	Tri-party
ING Bank	1,311	Tri-party
Société Générale	1,196	Tri-party
ABN Amro	933	Tri-party
	<b>278,794</b>	

All counterparties have been included.

## Appendix – Additional Information (unaudited) (continued)

### Securities Financing Transactions (continued)

#### Aggregate transaction data

The following tables provide an analysis of the collateral received by the fund in respect of each type of SFTs as at 31 July 2017:

Counterparty	Counterparty country of origin	Type	Quality	Collateral Currency	Settlement basis	Custodian	Market value of collateral received £000
ABN Amro	Netherlands	Equity	Main market listing	CHF	Triparty	BNP Paribas	94
ABN Amro	Netherlands	Equity	Main market listing	EUR	Triparty	BNP Paribas	545
ABN Amro	Netherlands	Equity	Main market listing	GBP	Triparty	BNP Paribas	103
ABN Amro	Netherlands	Equity	Main market listing	SEK	Triparty	BNP Paribas	295
Bank of Nova Scotia	Canada	Equity	Main market listing	GBP	Triparty	BNP Paribas	28,314
Barclays	United Kingdom	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	2,443
Barclays	United Kingdom	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	14
Barclays	United Kingdom	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	1,460
Barclays	United Kingdom	Government Bond	Investment grade	GBP	Triparty	BNP Paribas	532
BNP Paribas	France	Corporate Bond	Investment grade	EUR	Bipartite	BNP Paribas	4,307
Citigroup	United States	Government Bond	Investment grade	GBP	Bipartite	BNP Paribas	13,322
Deutsche Bank	Germany	Equity	Main market listing	CHF	Triparty	BNP Paribas	690
Deutsche Bank	Germany	Equity	Main market listing	EUR	Triparty	BNP Paribas	746
Deutsche Bank	Germany	Equity	Main market listing	GBP	Triparty	BNP Paribas	95
Deutsche Bank	Germany	Equity	Main market listing	HKD	Triparty	BNP Paribas	275
ING Bank	Netherlands	Equity	Main market listing	GBP	Triparty	BNP Paribas	13
ING Bank	Netherlands	Equity	Main market listing	HKD	Triparty	BNP Paribas	1,444
J P Morgan	United States	Corporate Bond	Investment grade	EUR	Triparty	BNP Paribas	87,408
J P Morgan	United States	Corporate Bond	Investment grade	GBP	Triparty	BNP Paribas	44
J P Morgan	United States	Equity	Main market listing	AUD	Triparty	BNP Paribas	1,029
J P Morgan	United States	Equity	Main market listing	CHF	Triparty	BNP Paribas	17,353
J P Morgan	United States	Equity	Main market listing	DKK	Triparty	BNP Paribas	85
J P Morgan	United States	Equity	Main market listing	EUR	Triparty	BNP Paribas	13,816
J P Morgan	United States	Equity	Main market listing	GBP	Triparty	BNP Paribas	6,826
J P Morgan	United States	Equity	Main market listing	HKD	Triparty	BNP Paribas	26,488
J P Morgan	United States	Equity	Main market listing	JPY	Triparty	BNP Paribas	2,423
J P Morgan	United States	Equity	Main market listing	SEK	Triparty	BNP Paribas	157
J P Morgan	United States	Equity	Main market listing	SGD	Triparty	BNP Paribas	113
J P Morgan	United States	Equity	Main market listing	USD	Triparty	BNP Paribas	6,921
J P Morgan	United States	Government Bond	Investment grade	EUR	Triparty	BNP Paribas	13,174
Natixis	France	Equity	Main market listing	CHF	Triparty	BNP Paribas	2,067
Natixis	France	Equity	Main market listing	EUR	Triparty	BNP Paribas	43,405
Natixis	France	Equity	Main market listing	GBP	Triparty	BNP Paribas	14,326
Natixis	France	Equity	Main market listing	JPY	Triparty	BNP Paribas	12,114
Natixis	France	Equity	Main market listing	SEK	Triparty	BNP Paribas	1,316
Natixis	France	Equity	Main market listing	USD	Triparty	BNP Paribas	1,590
Société Générale	France	Equity	Main market listing	CHF	Triparty	BNP Paribas	2
Société Générale	France	Equity	Main market listing	EUR	Triparty	BNP Paribas	115
Société Générale	France	Equity	Main market listing	GBP	Triparty	BNP Paribas	761
Société Générale	France	Equity	Main market listing	JPY	Triparty	BNP Paribas	66
Société Générale	France	Equity	Main market listing	USD	Triparty	BNP Paribas	387
							<b>306,678</b>

The lending and collateral transactions are on an open basis and can be recalled on demand.

## Appendix – Additional Information (unaudited) (continued)

### Securities Financing Transactions (continued)

#### Re-use of collateral

The funds do not engage in any re-use of collateral.

#### Return and cost on securities lending activities

The following table details the fund's return and costs for each type of SFTs for the year ending 31 July 2017:

Fund	Stock lending				
	Total gross amount of securities lending income £000	Direct and indirect costs and fees deducted by securities lending agent £000	% return of the securities lending agent	Net securities lending income retained by the fund £000	% return of the fund
Henderson Cautious Managed Fund	245	37	15%	208	85%

## Further information

### Shareholder enquiries

If you have any queries about your fund holding, either contact your professional adviser or telephone us on one of the numbers below:

For dealing enquiries including buying and selling shares please telephone at local rate: **0845 608 8703**

The following line is also available:

Client Services: 0800 832 832

or you can contact us via e-mail at **[support@janushenderson.com](mailto:support@janushenderson.com)**

We may record telephone calls for our mutual protection and to improve customer service.

## Important Information

Janus Henderson Investors is the name under which Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795354), AlphaGen Capital 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 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.

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

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