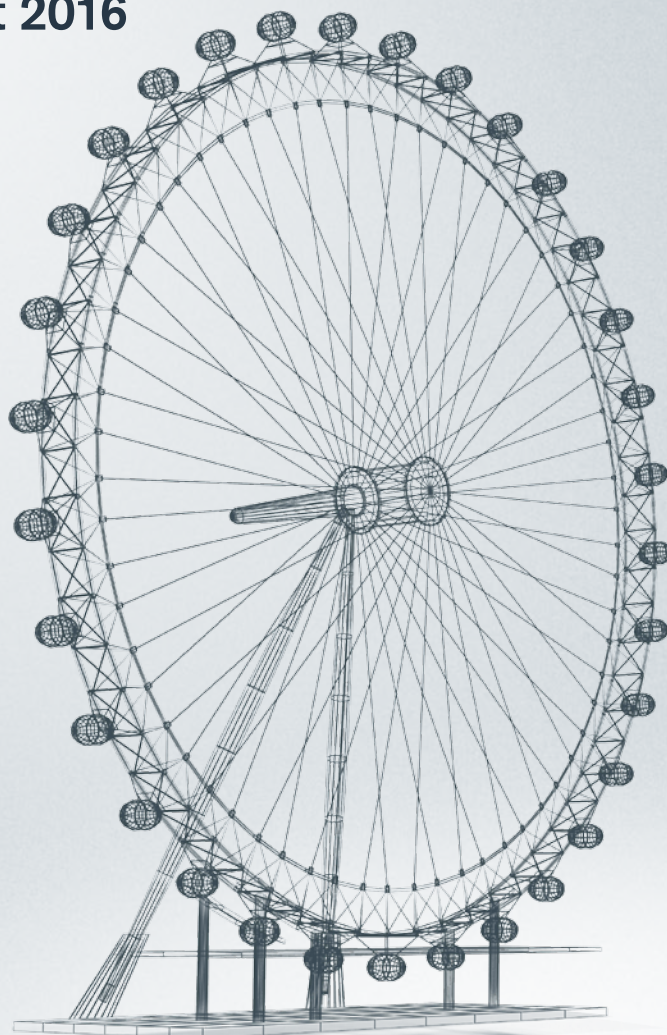


HENDERSON ALTERNATIVE STRATEGIES TRUST PLC

Annual Report 2016



MANAGED BY

Henderson
GLOBAL INVESTORS

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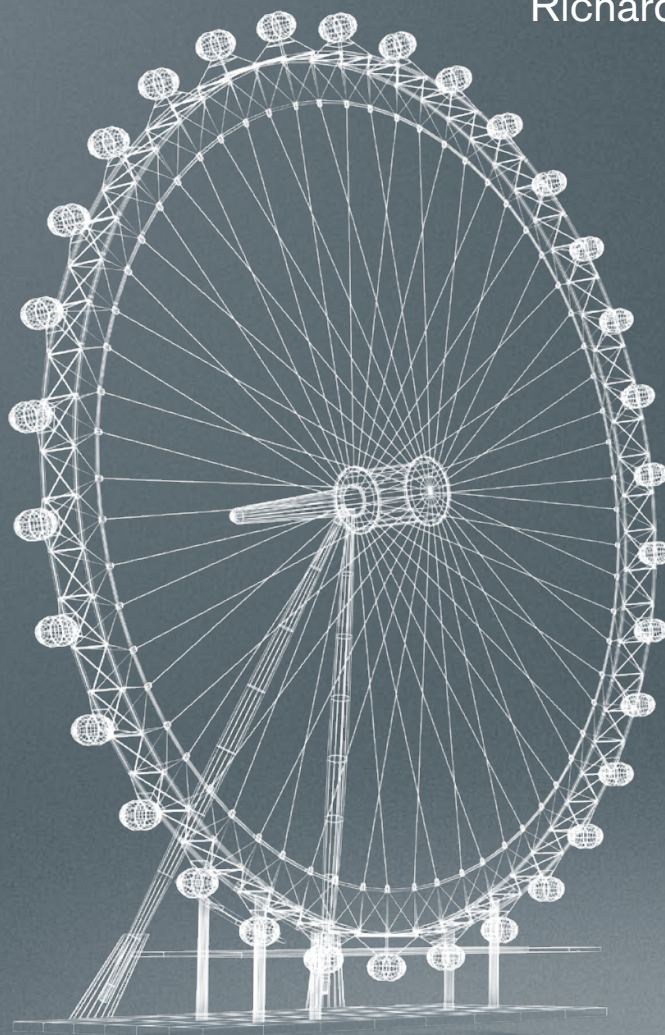
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Strategic Report

“The Company aims to provide access to alternative and specialist asset classes in order to generate attractive long-term investment performance. Your directors believe that, in these times of market volatility and geo-political uncertainty, such a strategy can offer shareholders a useful source of diversification and, as demonstrated by the Company’s improved performance, good returns.”

Richard Gubbins, Chairman



Strategic Report: Business Model

Investment Objective

The Company exploits global opportunities to provide long-term growth to shareholders via a diversified, international, multi-strategy portfolio which also offers access to specialist funds including hedge and private equity. The Company aims to outperform the FTSE World Total Return Index on a total returns basis in Sterling terms.

Strategy

As an investment trust, the Company appoints an Alternative Investment Fund Manager and other specialised third-party service providers to establish and maintain an investment portfolio in line with the investment objective and policy. Performance of the Manager and other service providers is monitored and challenged by a Board of independent non-executive Directors. The Board is directly accountable to the Company's shareholders.

Investment Policy

Investments

The portfolio will comprise investments which are considered to have attractive medium to long-term return potential and a specialist or alternative asset focus. Specialist investments will target particular geographies or sectors and alternative investments will be focused on the private equity, hedge and property asset classes. There will be a minimum of 30 individual investments.

Investment Instruments

The Company aims to achieve its investment objective by investing in listed or unlisted closed-end investment funds, open-ended investment funds, listed or unlisted company shares, exchange traded funds, contracts for difference ("CFDs"), and warrants and related instruments.

Investment of Cash Resources

In the event the Company has significant cash resources it will typically invest in UK government securities or money market funds.

Benchmark

The Company's benchmark, the FTSE World Total Return Index, is a global equity market index which provides the Company with a total return yardstick for its investment portfolio. Given the flexibility of the Company's investment mandate, the pursuit of the Company's investment objective may result in the geographical weightings of its investment portfolio deviating significantly from the geographical weightings of the benchmark index. The investment portfolio may also include a significant number of unlisted investments which are not represented in the benchmark index.

Limits

The following limits address the need for maintaining an appropriate degree of portfolio diversification in relation to asset class, geography, sector, gearing and underlying portfolio liquidity:

- individual investments shall not exceed 10% of total portfolio value;
- investments in private equity funds shall not exceed 35% of total portfolio value;
- investments in hedge funds shall not exceed 30% of total portfolio value;
- investments in property funds shall not exceed 20% of total portfolio value;
- no more than 50% of total portfolio value shall be invested in emerging or frontier markets on a look-through basis;
- no more than 20% of total portfolio value shall be invested in one sector on a look-through basis;
- unlisted investments without redemption rights shall not exceed 20% of total portfolio value;
- borrowings and long-only CFDs' exposure shall not exceed 20% of the Company's net asset value on a combined basis; and
- portfolio hedging exposure shall not exceed 20% of the Company's net asset value.

For the purposes of the above limits, total portfolio value equals the total value of portfolio investments (excluding holdings in money market funds which would otherwise be held on deposit) and excludes cash or cash equivalents.

The limits apply at the time a new investment is made. To the extent a limit is exceeded as a result of changes in the value of investments, the Manager will seek to manage the position in a manner consistent with the best interests of shareholders.

Management

The Company has appointed Henderson Investment Funds Limited ("HIFL") to act as its Alternative Investment Fund Manager in accordance with an agreement effective from 22 July 2014 which is terminable on six months' notice. HIFL delegates investment management services to Henderson Global Investors Limited. Both entities are authorised and regulated by the Financial Conduct Authority. References to Henderson within this report refer to the services provided by both entities.

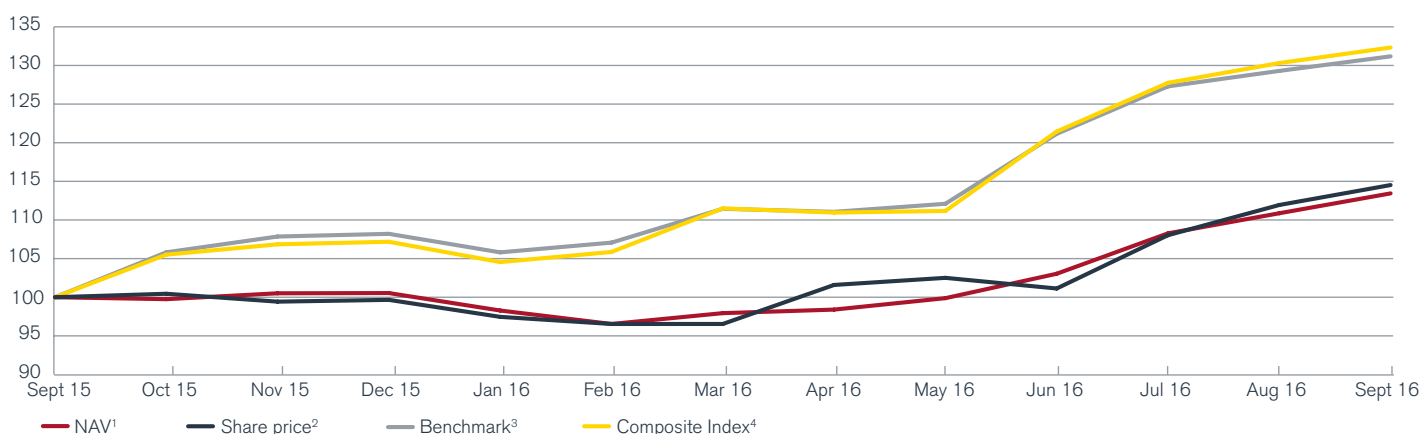
The management fee is charged at a rate of 0.7% per annum. Fees are payable quarterly in arrears based on the level of net chargeable assets at the relevant quarter end.

The portfolio is jointly managed by Ian Barrass and James de Bunsen.

Henderson and its subsidiaries provide accounting, company secretarial and general administrative services. Some of the administration and accounting services are carried out, on behalf of Henderson, by BNP Paribas Securities Services. Colleen Sutcliffe FCIS acts as Company Secretary on behalf of Henderson Secretarial Services Limited.

Strategic Report: Performance Highlights

Total Return Performance for year to 30 September 2016
(rebased to 100)



NAV per ordinary share

2016 308.7p 2015 275.6p

Share price per ordinary share

2016 249.1p 2015 221.0p

Discount⁵

2016 19.3% 2015 19.8%

Number of investments

2016 57 2015 57

Total return per ordinary share

2016 36.4p 2015 (14.9p)

Market capitalisation

2016 £107.1m 2015 £95.0m

Dividend for year⁶

2016 3.8p 2015 3.3p
2.6p (special)

Ongoing charge for year

2016 0.89% 2015 0.97%

1 Net asset value total return per ordinary share

2 Share price total return using mid-market closing prices

3 FTSE World Total Return Index in Sterling terms

4 FTSE Developed Total Return Index (75%)/FTSE Emerging Markets Total Return Index (25%) – a composite index introduced as an additional informal performance measure

5 Calculated using year-end audited NAVs including current year revenue

6 2016 dividend subject to approval at the AGM to be held on 25 January 2017

Sources: Morningstar Direct, Henderson, Datastream, Association of Investment Companies (AIC)

A glossary of terms is included on pages 18 and 19

Strategic Report: Chairman's Statement



The Chairman of the Company, Richard Gubbins, reports on the year to 30 September 2016

Performance

In last year's Chairman's Statement I made it clear that your Board regarded improved investment performance of the Company's restructured portfolio as the Company's key priority during the year to 30 September 2016.

I am therefore pleased to report that, during what was a volatile 12-month period for global financial markets, the Company delivered robust NAV and share price total returns of 13.4% and 14.5% respectively. This outcome mainly reflects a strong second half performance, which saw the Company produce NAV and share price total returns of 16.1% and 18.6%.

The Company is now part of the Association of Investment Companies' (AIC) Flexible Investment Sector. This is a new AIC category comprising ten funds with differentiated and flexible mandates and provides a useful basis for assessing the Company's performance against a relevant peer group. The Board has therefore decided to adopt the AIC Flexible Investment Sector as an additional informal measure of the Company's relative performance. Over the full year the Company achieved a share price total return of 14.5% compared with 18.4% for the AIC Flexible Investment Sector. During the second half of the year the comparison was much more favourable, with the Company delivering a share price total return of 18.6% against 9.8% for the AIC Flexible Investment Sector.

In keeping with its investment objective, the Company aims to provide investors with a diversified, international, multi-strategy portfolio including hedge, private equity and other specialist funds. An advantage to investors of such a portfolio is its distinctive composition, providing exposure to styles of investment, unquoted or otherwise illiquid opportunities, smaller companies, specialist sectors and emerging market and frontier geographies not typically represented in a generalist investment fund, and possessing only weak correlation to the market as a whole. It is accordingly to be expected that the performance of the Company may deviate from time to time from its global equity benchmark, particularly when the composition of the reference index bears little similarity to the disposition of the Company's assets.

Although the Company's performance improved during the year it fell short of its global equity benchmark, the FTSE World Total Return Index (in Sterling), which returned 31.2%. This very strong

performance reflected two main factors. First, the US equity markets, which delivered relatively high returns of approximately 15% during the period, comprise some 55% of the benchmark index. Second, the benchmark index has a UK market weighting of only 7%. As a result the fall in the value of Sterling following the UK's June vote in favour of leaving the EU provided a major boost to the benchmark index return, which is calculated in Sterling. Furthermore, the nature of the Company's diversified portfolio with its holdings in assets whose returns are weighted towards the longer-term, meant that shorter-term returns in the period did not match more immediate stock market performance. However, the Company uses its benchmark index as a long-term total return yardstick against which it judges and will judge its long-term performance for its own alternative and specialist fund investment strategy.

The Fund Managers' Report provides a review of portfolio activity and investment performance during the financial year.

Share Price Discount and 10% Tender Offer

The Company's share price discount to NAV per share narrowed slightly during the year from 19.8% to 19.3%. The Board believes that continued improved portfolio performance is the key to a material and sustained re-rating of the Company's shares and narrowing of the discount over time.

One of the Board's responses to the Company's persistently high discount has been to give shareholders the opportunity to participate in two significant tender offers, each for up to 10% of the Company's outstanding shares. The first of these tender offers was fully subscribed and completed in January 2014, returning a total of £12.8 million to tendering shareholders at a discount of 2% to NAV less costs. The availability of a second tender offer was made conditional upon the Company's discount averaging more than 10% during the financial year ending 30 September 2016, which has indeed proven to be the case. As a result, shareholders will soon receive details of a second tender offer for up to 10% of the Company's outstanding shares at, as previously indicated, a 5% discount to the Company's NAV at the time of the tender offer less costs. In addition, the Board will continue to keep under consideration other potential means of enhancing shareholder value, including additional discount control activity in the run up to the continuation vote at the AGM in January 2018.

Strategic Report: Chairman's Statement (continued)

Dividend

During 2013 the Board announced that, given Henderson's intention to increase the level of income produced by the Company's investment portfolio, it planned to pursue a more progressive dividend policy. I am pleased to report that the Company continues to make good progress in this area. The Board is therefore proposing a 15% increase to the Company's ordinary dividend to 3.8p per share for the year to 30 September 2016.

In addition, due to the unusually high level of income generated during the year, mainly as a result of the receipt of one exceptional dividend and the significant current portfolio weighting to cash-generative credit funds, the Board is also proposing to pay a special dividend of 2.6p per share. Total proposed dividends for the year are therefore 6.4p per share and will, subject to shareholder approval, be paid in February 2017.

Annual General Meeting

The Annual General Meeting will be held at the offices of Henderson Global Investors, 201 Bishopsgate, London EC2M 3AE on 25 January 2017 at 11.30am. I would encourage as many shareholders as possible to attend as an opportunity to meet the Board and to watch a presentation from our Fund Managers. The Company's AGM will also be broadcast live on the internet. If you are unable to attend in person, you can watch the meeting as it happens by visiting www.henderson.com/trustslive.

Outlook

As we move towards 2017 global financial markets face major macro-economic and political uncertainties. In such an environment the Board believes that the Company can provide investors with a valuable source of diversification through exposure to a well-managed high-quality portfolio of alternative asset and specialist funds.

The Board also remains confident that the Company's restructured portfolio and its genuinely differentiated mandate has the potential to generate attractive long-term returns. The recent significant improvement in performance is welcome evidence of this, however, it needs to be maintained. The Board, Henderson and the Company's broker will continue to engage in marketing activities over the coming months designed to increase interest in the Company's shares and to broaden its investor base. Encouragingly, at the time of writing, the Company has made a satisfactory start to the new financial year.

I look forward to reporting on further progress as the year unfolds.

Richard Gubbins
Chairman

Strategic Report: Fund Managers' Report



Ian Barrass and James de Bunsen, Fund Managers, report on the year to 30 September 2016

Market Overview

The year to 30 September 2016 proved to be another eventful 12 months for global financial markets. Concerns over the outlook for global growth, the realisation that the benefit of several years of loose central bank monetary policy was reaching its limits and significantly increased levels of political risk all contributed, in our view, to a general investor mood of uncertainty and lack of conviction.

Despite this unsettling backdrop, which led to some bouts of extreme volatility, developed equity markets produced some surprisingly robust returns over the period. The key US market moved ahead strongly, although this was more derived from higher earnings multiples being applied to its constituents than to growth in earnings. The UK performed well owing mainly to the benefit of Sterling's devaluation following June's vote to leave the EU. Europe (ex-UK) was broadly flat despite experiencing increased political instability and serious concerns regarding the health of its banking sector. Only Japan experienced an actual market decline as Abenomics became perceived increasingly as a spent force.

Emerging equity markets underwent a degree of rehabilitation after several years of poor performance. This reflected the improved macro-economic momentum in some key emerging markets compared with the low growth rates in most developed economies. For example, the BRIC countries contributed to improved investor sentiment as the Chinese economy stabilised, India continued to grow strongly and short-term prospects improved for both Brazil and Russia as a result of currency devaluations and firmer commodity prices.

Global equity markets were once again underpinned by the historically low yields available in fixed income markets, although the beneficial impact of low interest rates on equity valuations arguably reached its peak. Although we expect interest rate increases to be gradual, there is little doubt that financial markets face a rising interest rate environment over the next few years. This will most likely put downward pressure on total returns in both mainstream equity and fixed income markets and also lead to increased volatility.

Company Positioning

We believe that the investment environment described above is one in which investors will increasingly seek diversified sources of return as fully valued mainstream equity and fixed income assets begin to struggle in a world of low developed market growth and rising interest rates. The Company is now well-positioned to capitalise on this investor trend as it gathers momentum.

Since assuming the management of the Company's investment portfolio in April 2013 our aim has been to create a high-quality portfolio of 30 to 40 alternative asset and specialist funds capable of delivering long-term returns consistently above those of global equities. Importantly, in order to maintain the Company's position as a genuinely differentiated investment proposition, we are looking to deliver these returns by investing mainly in funds which are either niche, complex or hard-to-access and which our shareholders may not own directly themselves. The Company's flexible investment mandate allows us to use a broad range of asset types and investment strategies to generate our informal long-term annualised NAV total return target for the Company of 8.0% per annum, which compares favourably with historic long-term global equity returns. In addition, we are endeavouring to deliver these returns with lower long-term annualised volatility than global equity markets.

Given the flexibility of the Company's mandate, our investment universe is large. It is, however, also of very variable quality. Our focus is therefore on identifying good-quality assets or investment strategies which are managed by proven investment teams. We also pay great attention to the price at which we invest and have clear target returns for each individual holding.

Company Performance

The Company produced a NAV total return of 13.4% over the year, well above our informal 8.0% annualised target. The Company's share price total return for the year was 14.5%.

Second half performance was particularly encouraging, with the Company generating a NAV total return of 16.1% in the six months to 30 September. This reflected the strength of the portfolio's recovery from the market setback in January and early February as concerns grew regarding the risk of recession in the US.

Strategic Report: Fund Managers' Report (continued)

In addition, the Company gained from its usual policy of not hedging foreign exchange exposures so that it received the full benefit of Sterling's devaluation after the UK voted to leave the EU on 23 June.

These returns were delivered despite the relatively high level of liquidity (held mainly in the Deutsche Global Liquidity Managed Platinum Fund) which we began to build during the second half of the year, partly in anticipation of the second 10% tender offer referred to in the Chairman's Statement.

The Company's share price discount to NAV per share showed a modest improvement over the year, narrowing from 19.8% to 19.3%. We believe a sustained period of good NAV performance combined with an active marketing programme to existing and potential shareholders will prove the best antidote to the Company's persistently high discount.

The Company's formal benchmark, the FTSE World Total Return Index (in Sterling), performed very robustly delivering a return of 31.2%. This reflected two key factors. First, the US equity markets, which had a 55% weighting in the benchmark index at the Company's year-end, delivered strong relative outperformance against other developed markets. Second, the benchmark index had only a 7% UK market weighting at 30 September 2016, and therefore comprises a relatively low level of Sterling-based exposure. The Company's version of the benchmark is, however, expressed in Sterling terms. As a result, Sterling's devaluation following the UK's vote in June to leave the EU produced a very significant boost to the benchmark's total return when calculated in Sterling. In local currency terms, without translating all the components of the index into Sterling, the benchmark delivered a total return of 11.2%.

Given the flexibility of the Company's differentiated alternative and specialist asset mandate, the pursuit of the Company's investment objective can result in the geographical weightings of the investment portfolio differing significantly from those of the benchmark index. This was indeed the case during the financial year ended 30 September 2016. In addition, the investment portfolio may include holdings which are not represented in the benchmark index or else exhibit limited correlation to global equity markets. For these reasons the Company's short-term performance is likely to deviate from its benchmark on a regular basis.

Portfolio Performance and Investment Activity

When we assumed management of the Company's poor-performing and relatively illiquid investment portfolio on 1 April 2013, we made it clear that a properly managed restructuring could take up to three years. This proved to be the case, but the process is now complete. There is, however, still a significant number of inherited holdings which cannot be sold and are themselves in some form of run-off or realisation process. At 30 September 2016 these investments comprised 4.7% of the Company's NAV and, taken as a whole, may ultimately generate at least their current carrying value in cash. They are therefore unlikely to impact negatively on the Company's future performance.

The 40 largest holdings (as listed on page 11) now represent 99.9% of the Company's total investment portfolio by value.

The table below shows the contribution of each of the Company's five investment categories to the gross total return of the Company's investment portfolio (including cash and cash equivalents and money market funds) during the year.

Investment Category	Contribution %	Average Weighting %
Private Equity	7.5	26.6
Specialist Sector	3.9	29.7
Property	2.1	9.1
Specialist Geography	1.3	11.3
Hedge	-0.2	17.9

Source: Henderson

Period: 1 October 2015 to 30 September 2016

Note: Cash and cash equivalents, money market funds and funds in liquidation contributed 0.1% with an average weighting of 5.4%

Private Equity

The Company's private equity holdings provide investors with access to an asset class which, if well managed, has delivered long-term returns consistently above those of listed equity markets. At the year-end the Private Equity investment category represented 29.3% of the Company's total investments (2015: 30.7%). The investments are well diversified by asset type, investment strategy, vintage and geography. We obtain exposures through listed and unlisted vehicles run by proven managers.

Our listed holdings suffered a setback at the turn of the year as concerns regarding global growth led to increased discounts with markets adopting a "risk-off" stance. As noted in our half-year review, we felt this re-pricing was overdone and therefore maintained our level of exposure. Since then, underlying portfolio company performance for our holdings has generally continued to be strong with realisations regularly being completed above carrying valuations. These factors, combined with recent takeover activity in the listed private equity sector which has been supportive of valuations, meant that a number of the Company's listed holdings rebounded strongly during the second half of the Company's financial year.

Given that the Private Equity investment category contributed 7.5% to the Company's gross total return, it is unsurprising that three of the top five individual contributors were private equity funds. These three investments highlight the diverse and specialist nature of our private equity holdings. **Mantra Secondary Opportunities** is an unlisted vehicle which is successfully pursuing a niche strategy investing globally in mature private equity limited partnerships at attractive valuations. **Riverstone Energy Limited** is a UK-listed fund which invests primarily in the North American shale oil and gas sector. It has been able to buy high-quality assets at compelling prices since the oil price fell sharply towards the end of 2014. Finally, **Princess Private Equity Holding Limited** is a UK-listed vehicle managed by Partners Group, one of the world's leading private equity managers. The fund invests in equity and debt across the buy-out markets, mainly in Europe and the US. The financial performance of its underlying portfolio of companies has been

Strategic Report: Fund Managers' Report (continued)

particularly strong and it has recently executed some impressive portfolio realisations.

We made few significant changes to our private equity holdings over the period. Perhaps most notably we made a new investment of £2.5 million into **Harbourvest Global Private Equity Limited**, a good-quality UK-listed global fund of funds with a strong track record.

Specialist Sector

The Company's Specialist Sector investment category is very flexible. It is used to obtain exposure to any sector, usually through a proven specialist manager, to good-quality fairly-priced assets which can meet the Company's target return. At the year-end this investment category represented 32.5% of the Company's total investments (2015: 30.1%) and contributed 3.9% to the Company's gross total return.

During the year our heaviest weighting in this investment category was in credit-related funds with exposure to a diversified range of developed market debt instruments such as senior secured leveraged bank loans, collateralised loan obligations and other structured credit instruments such as asset-backed debt securities. These types of asset have benefited from continued low default rates and are capable of generating attractive cash yields. Also, as with the private equity sector, periods of market volatility can create interesting valuation anomalies. For example, during the market volatility in January and February we were able to increase our holding in **Carador Income Fund PLC**, a UK-listed fund that trades senior, mezzanine and equity securities issued by collateralised loan obligation vehicles, at compelling prices. Also, we invested in **Voya Prime Rate Trust**, a good-quality US-listed senior bank loan fund, at an attractive discount. We subsequently sold our entire holding before the year-end having achieved our target return.

Other investment activity included a £3.3 million investment in **Worldwide Healthcare Trust plc**, a UK-listed vehicle which invests in quoted pharmaceutical and biotechnology companies. Having followed this sector closely for over a year we were attracted by the fund's outstanding long-term track record, reasonable sector valuations resulting partly from overdone concerns regarding drug pricing in the US and the strong potential for M&A activity. Also, we increased exposure to the financial sector by investing £2.4 million in **Axiom European Financial Debt Fund Limited**, a small specialist UK-listed vehicle which invests in securities issued by European financial institutions.

Property

The Company's Property investment category is designed to provide access to niche or specialist property opportunities. At the year-end it represented 11.9% of the Company's total investments (2015: 8.4%) and contributed 2.1% to the Company's gross total return.

The main individual contributor to return within the Property sleeve was **CEIBA Investments Limited**, an unlisted fund which invests in good-quality commercial and hotel properties in Cuba. These assets generate hard currency cash flows and are owned jointly with the Cuban government. The well-publicised thaw in US/Cuban relations has increased investor interest in Cuba and has also helped to boost the fund's asset valuations, something we flagged in our half-year review. The Company also benefited from a short-lived investment in **Japan Residential Property Company Limited**, then a small UK-listed fund investing in Japanese residential property. Having obtained approximately one-third of our target holding, the fund's shareholders accepted a cash bid at a considerable premium to our entry price.

During the year we invested £3.6m in **Summit Germany Limited**, a UK-listed fund investing in German property. The fund focuses on major cities and has a bias towards offices and industrial buildings. These markets are experiencing good rental growth due to the very low levels of new property development in recent years combined with robust economic growth. In addition, the manager has clear value creation plans for the fund's property portfolio, has demonstrated the ability to buy well and has also recently secured some very attractive ten-year low cost fixed rate debt financing.

Specialist Geography

This investment category is used to obtain specialist equity or debt market exposure to particular countries or regions which reflects our macro-economic preferences within developed, emerging or frontier markets. Specialist Geography holdings represented 10.0% of the Company's total investments at the year-end (2015: 14.0%) and contributed 1.3% to the Company's gross total return.

In April 2013 the Company's portfolio that we inherited included a heavy weighting towards emerging markets. We reduced this significantly as emerging markets suffered a sustained period of poor performance compared with their developed market counterparts. Since early 2016 investor sentiment has, however, improved towards the asset class as the growth gap – the difference between emerging and developed economic growth rates – has begun to widen again in favour of emerging markets. This not only reflects the anaemic growth in developed economies, but also recent evidence of improved macro-economic performance in certain emerging economies and upgrades to forecasts for emerging market company earnings.

Although this rehabilitation is still embryonic, we felt sufficiently confident to make two new emerging market investments during the year. First, early in 2016, we invested £3.5 million in **Genesis Emerging Markets Limited**. This is a UK-listed vehicle with a strong long-term track record in bottom-up value-focused emerging market equity investing. Its portfolio is well-diversified geographically, although its significant weighting to India, one of our preferred emerging markets, was particularly interesting.

Strategic Report: Fund Managers' Report (continued)

Our second investment was a £2.5 million holding in **Ashmore SICAV Emerging Market Short Duration Fund**, an unlisted daily-dealt fund managed by Ashmore Group, an emerging markets specialist. The fund invests in hard currency debt instruments issued by governments and corporates but focuses on short duration positions so that the average weighted portfolio duration is only two to three years. The current yield to maturity for the portfolio is nearly 8.0%. We considered this overall combination of hard currency instruments, short-term credit risk, and attractive visible returns as a sensible way to increase our emerging market risk.

We also made a shorter-term tactical Specialist Geography investment during the financial year. We invested in **Euro Stoxx 50 Dividend Futures (December 2017)** which allowed us to express our view at the beginning of 2016 that the ability of major European corporates to maintain dividends was being under-estimated by an increasingly bearish market. We were able to invest at an attractive price level but then exited the position in full either side of the UK's EU referendum in June having achieved an acceptable return.

Hedge

The Hedge investment category is used mainly to access long/short absolute return strategies which aim to deliver equity-like returns but with lower levels of volatility than global equities. Hedge holdings were 16.3% of the Company's total investments at the year-end (2015: 16.7%) and contributed -0.2% to the Company's gross total return.

Our search for a suitable long/short listed equities fund focused on Asia reached a conclusion when we invested in **Schroder Gaia Indus PacifiChoice Asia Fund**. This fund is run by an experienced management team and has a good track record. After the half-year we also invested in the **Majedie Asset Management Tortoise Fund**, a successful long/short global listed equities vehicle. We believe such funds are well-equipped to deal with any further bouts of equity market volatility.

We had one notable setback in the Hedge investment category during the year which meant that the sleeve's overall contribution to return was slightly negative. This was in relation to **Pershing Square Holdings Limited**, a listed activist US hedge fund which was the Company's worst performing investment in terms of contribution to the Company's gross total return (-1.0%). The fund experienced a major blemish against its hitherto excellent track record following well-publicised problems at its largest portfolio investment, Valeant Pharmaceuticals International Inc. We exited our position in full.

Outlook

The global markets face an elevated level of macro-economic, financial and political uncertainty as we move into 2017. We relish the challenge this creates for us, as our job is always to use the Company's flexible mandate to provide our investors

with a high-quality alternative to mainstream investment vehicles by offering an attractive and differentiated source of diversified returns.

With the portfolio restructuring behind us, we believe we now have some very positive messages to convey as we market the Company to investors over the coming months. For example, the Company's flexible mandate and alternative and specialist asset focus is a genuinely differentiated proposition and the Company's portfolio is not replicated anywhere in the closed-ended or open-ended fund markets. Performance has improved significantly and we believe there are still multiple growth opportunities across the existing portfolio. Dividends are increasing and a special dividend will also be paid this year. Portfolio restructuring costs have now been taken in full and the remaining "tail" of the inherited portfolio is unlikely to have any negative impact on future returns. We believe that these positive developments, combined with vigorous marketing activity, should increase interest in the Company's shares. This, in turn, should help narrow the Company's persistently high discount.

Ian Barrass and James de Bunsen
Fund Managers

Strategic Report: Portfolio Information

Ten Largest Investments at 30 September 2016

Ranking 2016	Ranking 2015	Company	Focus	Geographical area	Market Value £'000	Portfolio %
1	1	BlackRock European Hedge Fund Limited ³	Long and short investment in listed equities	Europe	6,759	6.0
2	6	CEIBA Investments Limited ⁴	Investment in Cuban real estate	Cuba	6,266	5.6
3	5	Riverstone Energy Limited ²	Investment in unlisted oil E&P companies	North America	5,815	5.2
4	n/a	Majedie Asset Management Tortoise Fund ³	Long and short investment in listed securities	Global	5,230	4.7
5	22	Mantra Secondary Opportunities ⁴	Investment in private equity funds	Global	5,120	4.6
6	n/a	Schroder Gaia Indus PacificChoice Asia Fund ³	Long and short investment in listed securities	Asia	4,894	4.4
7	8	Blackstone/GSO Loan Financing Limited ²	Investment in unlisted floating rate senior secured loans and CLO Income Notes	US and Europe	4,621	4.1
8	16	Baring Vostok Investments Limited core ¹	Direct private equity investments	Russia	3,996	3.6
9	10	Toro Limited ²	Investment across European structured credit markets	Europe	3,966	3.5
10	3	Eurovestech plc ¹	Investment in unlisted technology companies	Europe	3,954	3.5
					50,621	45.2

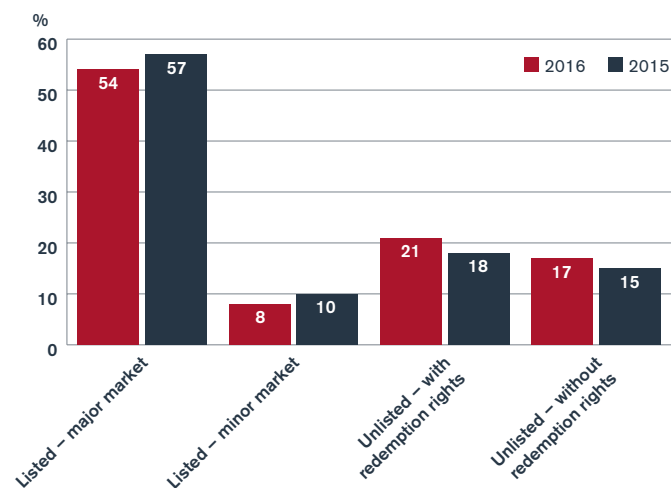
1 Listed on minor market (includes: Luxembourg Stock Exchange, Channel Islands Stock Exchange, ISDX and LMMX)

2 Listed on major market (includes: London Stock Exchange (full listing and AIM) and Euronext)

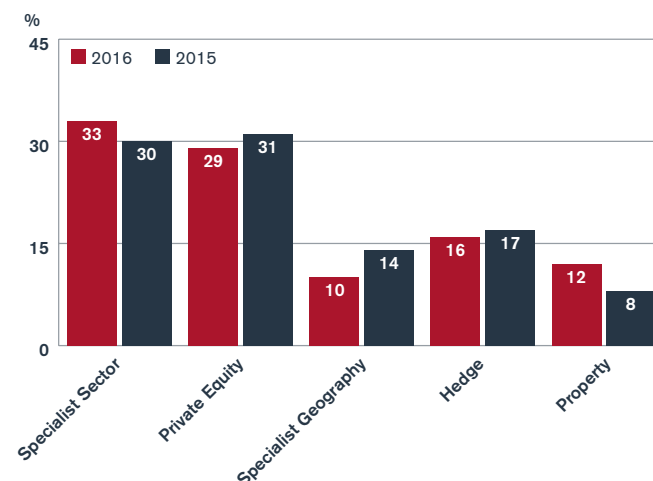
3 Unlisted investment – with redemption rights

4 Unlisted investment – without redemption rights

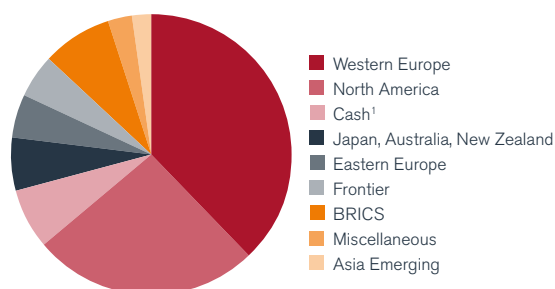
Investment by type at the portfolio level



Investment by focus at the portfolio level



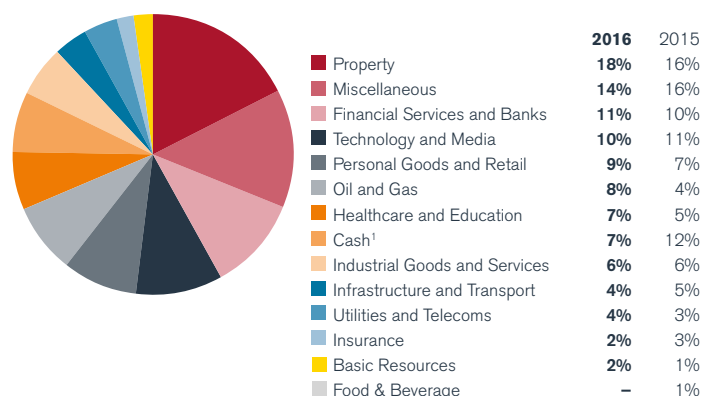
Investment by geography on a look-through basis



1 Cash held in underlying investments

Source: Henderson

Investment by sector on a look-through basis



Investment Portfolio at 30 September 2016

Investments	Focus	Market Value £'000	Portfolio %
BlackRock European Hedge Fund Limited ³	Hedge	6,759	6.0
CEIBA Investments Limited ⁴	Property	6,266	5.6
Riverstone Energy Limited ²	Private Equity	5,815	5.2
Majedie Asset Management Tortoise Fund ³	Hedge	5,230	4.7
Mantra Secondary Opportunities ⁴	Private Equity	5,120	4.6
Schroder Gaia Indus PacifiChoice Asia Fund ³	Hedge	4,894	4.4
Blackstone/GSO Loan Financing Limited ²	Specialist Sector	4,621	4.1
Baring Vostok Investments Limited core ¹	Private Equity	3,996	3.6
Toro Limited ²	Specialist Sector	3,966	3.5
Eurovestech plc ¹	Private Equity	3,954	3.5
Ten largest		50,621	45.2
Genesis Emerging Markets Fund Limited ²	Specialist Geography	3,934	3.5
Summit Germany Limited ²	Property	3,910	3.5
Firebird Republics Fund Limited ³	Specialist Geography	3,759	3.3
NB Distressed Debt Investment Fund Limited – Global Shares ²	Specialist Sector	3,556	3.2
Worldwide Healthcare Trust plc ²	Specialist Sector	3,239	2.9
Polar Capital Global Financials Trust plc ²	Specialist Sector	3,104	2.8
Princess Private Equity Holding Limited ²	Private Equity	2,980	2.7
Ediston Property Investment Company Plc ²	Property	2,911	2.6
Oryx International Growth Fund Limited ²	Specialist Sector	2,892	2.5
Harbourvest Global Private Equity Limited ²	Private Equity	2,785	2.5
Twenty largest		83,691	74.7
Chenavari Capital Solutions Limited ²	Specialist Sector	2,632	2.4
Standard Life European Private Equity Trust Plc ²	Private Equity	2,625	2.3
Ashmore SICAV Emerging Markets Short Duration Fund ³	Specialist Geography	2,592	2.3
Renewable Energy and Infrastructure Fund II ⁴	Specialist Sector	2,567	2.3
Axiom European Financial Debt Fund Limited ²	Specialist Sector	2,435	2.2
Tetragon Financial Group Limited ²	Specialist Sector	2,402	2.2
Carador Income Fund PLC ²	Specialist Sector	1,963	1.8
Century Capital Partners IV L.P. ⁴	Private Equity	1,697	1.5
NB Distressed Debt Investment Fund Limited – Extended Life Shares ²	Specialist Sector	1,489	1.3
Amber Trust SCA ⁴	Private Equity	1,380	1.2
Thirty largest		105,473	94.2
ASM Asian Recovery Fund ⁴	Hedge	1,379	1.2
Apax Global Alpha Limited ²	Private Equity	1,322	1.2
EPE Special Opportunities plc ²	Private Equity	1,111	1.0
Firebird Republics Fund SPV ⁴	Specialist Geography	850	0.8
Acheron Portfolio Corporation (A Shares) ¹	Specialist Sector	627	0.6
Ludgate Environmental Fund Limited ²	Specialist Sector	432	0.4
South African Property Opportunities plc ²	Property	203	0.2
Zouk Solar Opportunities Limited ⁴	Specialist Sector	164	0.1
Prosperity Voskhod Fund Limited ⁴	Specialist Geography	126	0.1
Value Catalyst Fund Limited ⁴	Specialist Sector	96	0.1
Forty largest		111,783	99.9
Total Investments		111,935	

The forty largest investments represent 99.9% of the total investment portfolio.

¹ Listed on minor market (includes: Luxembourg Stock Exchange, Channel Islands Stock Exchange, ISDX and LMMX)

² Listed on major market (includes: London Stock Exchange (full listing and AIM), and Euronext)

³ Unlisted investment – with redemption rights

⁴ Unlisted investment – without redemption rights

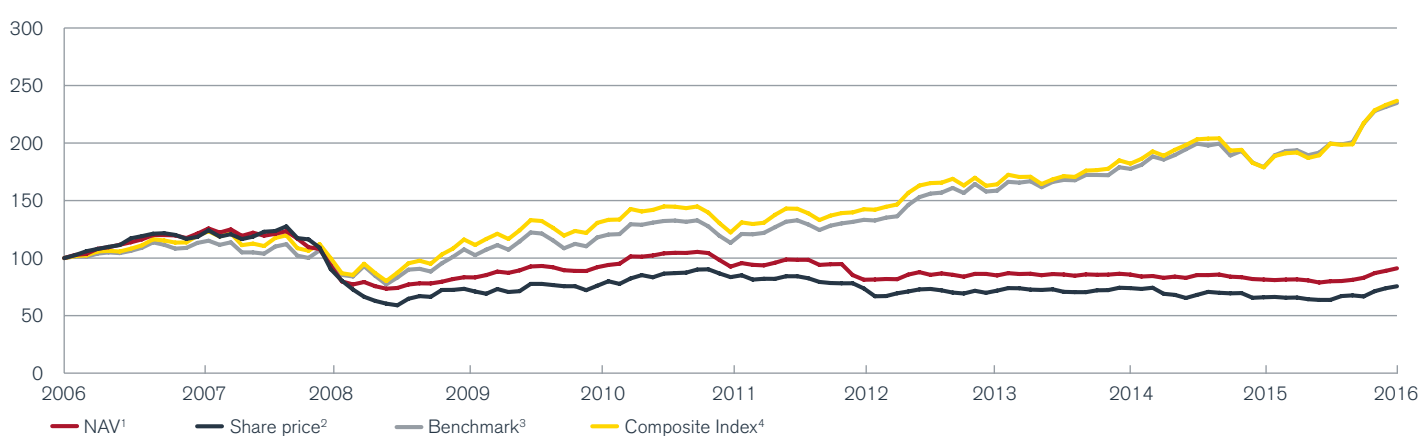
Strategic Report:

Historical Performance and Financial Information

Total Return Performance to 30 September 2016

	1 year %	3 years %	5 years %	10 years %
NAV ¹	13.4	9.5	0.3	(8.9)
Share price ²	14.5	5.2	(9.6)	(24.6)
Benchmark ³	31.2	48.0	107.4	134.8
Composite Index ⁴	32.3	44.2	93.6	136.7

Ten Year Historical Performance to 30 September 2016 (rebased to 100)



Source: Morningstar Direct, Datastream

Financial Information at 30 September

At 30 September	Net assets £'000	NAV p	Mid-market price per ordinary share p	Discount/ (premium) %	Profit/ (loss) for year £'000	Revenue return per ordinary share p	Capital return per ordinary share p	Total return per ordinary share p	Final dividend p	Expenses ⁶ %
2006	191,735	353.30	355.75	(0.7)	35,301	1.05	64.00	65.05	1.25	0.80
2007	241,444	426.81	420.00	1.6	41,021	1.05	72.95	74.00	1.25	0.77
2008	187,535	328.46	319.50	2.7	(55,503)	2.20	(99.92)	(97.72)	1.75	0.86
2009	166,521	291.66	259.75	10.9	(20,015)	2.18	(37.23)	(35.05)	2.00	0.91
2010	172,403	319.06	264.50	17.1	15,136	0.78	26.30	27.08	1.00	0.90
2011	170,082	320.85	289.50	9.8	1,215	2.33	(0.07)	2.26	2.00	0.93
2012	135,201	279.83	253.50	9.4	(20,851)	2.01	(42.89)	(40.88)	2.00	0.93
2013	138,580	290.20	245.00	15.6	5,700	0.85	11.07	11.92	1.50	0.84
2014	139,408	291.94	250.88	14.1	1,544	3.53	(0.30)	3.23	3.00	0.93
2015	118,444 ⁷	275.60	221.00	19.8	(6,606)	3.72	(18.61)	(14.89)	3.30	0.97
2016	132,648	308.66	249.13	19.3	15,638	7.50	28.85	36.35	3.80⁵	0.89

1 Net asset value per ordinary share with income reinvested for one, three and five years and capital NAV plus income reinvested for 10 years

2 Share price total return using mid-market prices

3 FTSE World Total Return Index in Sterling terms

4 FTSE Developed Total Return Index (75%)/FTSE Emerging Markets Total Return Index (25%) – a composite index introduced as an additional informal performance measure

5 2016 final dividend subject to approval at the AGM to be held on 25 January 2017 (excludes the special dividend of 2.6p per ordinary share)

6 Using total expense ratio methodology for 2011 and previous years (excluding performance fees); ongoing charge methodology thereafter

7 Reduction in net assets of £12,925,142 following tender offer in December 2014

Sources: Morningstar Direct, Henderson, Datastream, Association of Investment Companies (AIC)

Strategic Report: Corporate Information

Directors

The Directors appointed to the Board at the date of this report are:

Richard Gubbins

Position: Chairman of the Board, Nomination and Management Engagement Committees

Date of Appointment: 25 July 2014

Richard is the Senior Corporate Partner of Ashurst LLP and for the past 20 years has had a senior role in developing business in Emerging Markets (South-East Asia (1996-2000), Russia (2004-2008) and India for the past eight years). He is a director of Hero Inc. BV, a non-executive director of Mortice Limited and The Masuri Group Limited and he is a senior adviser in Europe to a family office. He is also an independent member of the Audit, Governance and Risk Management Committee of The England and Wales Cricket Board and a director of The American European Business Association. He is also a member of the Development Committee of the London Chamber Orchestra.

Graham Fuller

Position: Senior Independent Director

Date of Appointment: 19 December 2007

Graham was a founding partner of PSigma Asset Management from which he retired in 2011. He is a non-executive Director of Jupiter UK Growth Trust plc. He is a Fellow of the Institute of Chartered Accountants and a Fellow of the CFA Society of the UK. He spent 11 years leading the segregated pension team at Newton Investment Management prior to which he worked at Credit Suisse and de Zoete and Bevan.

Graham Oldroyd

Position: Audit Committee Chairman

Date of Appointment: 25 July 2014

Graham was a Partner with 23 years' service at European private equity fund manager Bridgepoint until June 2013. He is a non-executive Director of Nobina AB (publ.), Sweden, a non-executive Director of PHS Group Investments Limited, a Senior Adviser to MCF Corporate Finance, and a Senior Adviser to fund manager Downing LLP. He is a Church of England Church Commissioner, and a member of the Church Commissioners' Fund Assets Committee. A graduate in Engineering from Cambridge University, he also holds an MBA from INSEAD Business School. He is a Chartered Engineer, a Fellow of the Institution of Mechanical Engineers, and a Member of the Chartered Institute for Securities & Investment.

Jamie Korner

Position: Director

Date of Appointment: 13 May 2013

Jamie is a partner of Stanhope Capital LLP. A Cambridge graduate, he joined Inchcape in 1978 following a period in farming. After working at stockbroker Fielding Newson Smith and as a manager of institutional funds at M&G, he moved to Newton Investment Management in 1995. He led the charity and smaller institutional business of Newton until his retirement in 2011. He is a trustee of the Foyle Foundation and other charities as well as an adviser to a number of Oxbridge colleges.

Fund Management

Ian Barrass

Ian has 32 years of investment and finance experience encompassing private equity investment and portfolio management, infrastructure investment and advisory, leveraged senior debt lending and corporate restructuring. He joined Henderson in 2005 and until 2013 was a partner in Henderson's private equity team primarily responsible for managing its listed and unlisted private equity fund of funds portfolios. He is now a Fund Manager within Henderson's Multi-Asset team with a particular focus on alternative and specialist asset funds.

James de Bunsen

James is a Fund Manager in Henderson's Multi-Asset team and has particular focus on alternative asset classes and strategies. He joined Henderson in 2013 from multi-asset boutique Armstrong Investment Managers where he helped run a number of multi-asset strategies targeting real returns above inflation within clearly defined risk budgets.

Strategic Report: Corporate Information (continued)

Service Providers

Alternative Investment Fund Manager
Henderson Investment Funds Limited
201 Bishopsgate
London
EC2M 3AE

Corporate Secretary
Henderson Secretarial Services Limited
201 Bishopsgate
London
EC2M 3AE
Telephone: 020 7818 1818

Depository
State Street Trustees Limited
525 Ferry Road
Edinburgh
EH5 2AW

Registrar
Computershare Investors Services PLC
The Pavilions
Bridgewater Road
Bristol
BS99 6ZZ

Corporate Broker
Stifel Nicolaus Europe Limited
150 Cheapside
London
EC2V 6ET

Independent Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Registered Office

Leven House
10 Lochside Place
Edinburgh Park
Edinburgh
EH12 9DF

Correspondence Address

201 Bishopsgate
London
EC2M 3AE

Financial Calendar

Annual General Meeting ¹	25 January 2017
Ex-dividend date	12 January 2017
Dividend record date	13 January 2017
Final and special dividend payable	3 February 2017
Half-year results	May 2017
Annual results	December 2017

Information Sources

For more information about the Company, visit the website at
www.hendersonalternativestrategies.com

HGi

HGi is a content platform provided by Henderson that offers online personalisation where you can “follow” investment experts, topics and the trusts that are of interest to you. By creating your HGi profile you will be updated regularly on the topics that interest you most, bringing you closer to Henderson's investment expertise.

Scan the QR code or use this short URL to register for HGi.
<http://HGi.co/rb>



Follow Henderson Investment Trusts on Twitter, YouTube and Facebook



Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 03457 225 525, email **Henderson@halifax.co.uk** or visit their website **www.halifax.co.uk/sharedealing**.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Nominee Share Code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at them when invited to do so by the Chairman. Investors via Halifax Share Dealing receive all shareholder communications and a voting instruction form is provided to facilitate voting at general meetings of the Company.

¹ At 201 Bishopsgate, London EC2M 3AE at 11.30 am

Strategic Report: Corporate Information (continued)

Status

The Company is an investment company as defined in Section 833 of the Companies Act 2006 (the "Act") and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 ("Section 1158"), is subject to the Listing Rules of the Financial Conduct Authority and is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution. The Company is not a close company.

The Company has obtained approval from HMRC of its status as an investment trust under Section 1158. The Directors are of the opinion that the Company has conducted its affairs in compliance with Section 1158 since approval was granted and intends to continue to do so. The Company is liable to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains if it has complied at all times with Section 1158.

Principal Risks

The Board, with the assistance of Henderson, has carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. In carrying out this assessment, the Board has considered the market uncertainty arising as a result of the UK referendum to leave the EU. The Board has drawn up a matrix of risks and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks facing the Company are market related and include market price, foreign exchange, interest rate, liquidity and credit risk. An explanation of these risks and how they are mitigated is detailed in Note 15 to the Financial Statements.

Some of the Company's investments are in funds, some of which are unquoted, exposed to less developed markets and may be seen as carrying a higher degree of risk. The Board believe that these risks are mitigated through portfolio diversification, in-depth analysis, the experience of Henderson and a rigorous internal control culture. The use of CFDs involves counterparty risk exposure.

Additional risks faced by the Company are summarised below:

Risk	Controls and mitigation
Investment Strategy The performance of the portfolio may not match the performance of the benchmark through divergent geographic, sector or stock selection. In addition, the Company may be affected by economic conditions.	Henderson has a clearly defined investment philosophy and manages a broadly diversified portfolio to mitigate this risk.
Discount The level of the discount varies depending upon performance, market sentiment and investor appetite.	The Company has the ability to issue and purchase its own shares, including under a tender offer, which can reduce discount volatility.
Regulatory/Operational Failure to comply with applicable legal and regulatory requirements could lead to a suspension of the Company's shares, fines or a qualified audit report. A breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to corporation tax on realised capital gains. Failure of Henderson or third-party service providers could prevent accurate reporting and monitoring of the Company's financial position.	The Board regularly considers the risks associated with the Company and receives both formal and regular reports from Henderson and third-party service providers addressing these risks.

The Board considers these risks to have remained unchanged throughout the year under review.

Strategic Report: Corporate Information (continued)

Viability Statement

The Directors have assessed the viability of the Company over a three year period, taking account of the Company's current position and the potential impact of the principal risks and uncertainties as documented in this Strategic Report. The assessment has considered the impact of the likelihood of the principal risks and uncertainties facing the Company, in particular the Investment Strategy risk, in severe but plausible scenarios, and the effectiveness of any mitigating controls in place.

The Directors took into account the nature of the investment portfolio, including its liquidity and redemption restrictions that exist on certain investments, and the income stream that the current portfolio generates in considering the viability of the Company over the next three years and its ability to meet liabilities as they fall due.

The Directors conducted this review for a period of three years as they consider this to be an appropriate period over which they do not expect there to be any significant change in the current principal risks and adequacy of the mitigating controls. The Directors do not envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period as the Company's assets are sufficiently liquid, its commitments are limited and the Company intends to continue to operate as an investment trust. A substantial financial crisis affecting the global economy could have an impact on this assessment.

The Directors recognise that there is a continuation vote due to take place at the AGM following the 30 September 2017 year end. The Directors currently support the continuation of the Company and expect that the Company will continue to exist for the foreseeable future, at least for the period of assessment. However, if such a vote were not passed, the Directors would follow the provisions in the Articles of Association relating to the winding up of the Company and the realisation of its assets.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three year period.

Future Developments

While the future performance of the Company is mainly dependent on the performance of international financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its stated investment objective and strategy. The Chairman's Statement and Fund Managers' Report provide commentary on the outlook for the Company.

Key Performance Indicators

In order to measure the success of the Company in meeting its objective and to evaluate the performance of Henderson, the Directors take into account the following key performance indicators ("KPIs"):

Performance measured against the benchmark

The Board reviews and compares the total return of the NAV per share and share price for the Company compared with the movement of the Company's benchmark, the FTSE World Total Return Index on a total return basis in Sterling terms. During the year under review, the NAV per ordinary share showed a total return of 13.4% compared to a return in the benchmark of 31.2%.

Given the fact that the Company's portfolio includes a number of emerging market exposures, an additional informal performance measure has been adopted by the Board which the Company also reports against. This is a composite index comprising the FTSE Developed Total Return Index (75%) and the FTSE Emerging Markets Total Return Index (25%).

The Company has also adopted the AIC Flexible Investment Sector as an additional informal measure which assesses performance against other similar vehicles with differentiated and flexible mandates.

Discount to NAV

The Board monitors the performance of the Company's shares and the level of discount at which the shares trade relative to NAV per ordinary share. The discount at the start of the year was 19.8% compared to 19.3% at the year end.

Ongoing charge

The Board reviews the costs of running the Company calculated using the AIC methodology for the ongoing charge. The Company's ongoing charge for the year ended 30 September 2016 was 0.89% compared to 0.97% in 2015.

The charts and data on pages 3 and 12 show how the Company has performed against these KPIs.

Corporate Responsibility

Responsible Investment

Henderson is responsible for reporting on its work on corporate governance and corporate responsibility (or social, environmental and ethical ("SEE") issues) in the companies in which it invests on its clients' behalf, across all funds as part of its management duties. In May 2005, Henderson became a founding signatory to the United Nations Principles for Responsible Investment. The Principles, developed under the auspices of the UN Secretary-General, are a voluntary and aspirational framework for incorporating environmental, social and corporate governance ("ESG") issues into mainstream investment decision-making and ownership practices.

The way companies respond to sustainability and corporate responsibility can affect their business performance, both directly and indirectly. An investee company's policy on social responsibility and the environment is therefore considered as part of the investment risk decision; however, an investment may not necessarily be ruled out on social and environmental grounds only.

Strategic Report: Corporate Information (continued)

Voting Policy and the UK Stewardship Code

Henderson's responsible investment policy, which is endorsed by the Board, sets out its approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients and its policy on proxy voting. The policy also sets out how Henderson implements the Stewardship Code. The Company has reviewed the policy and has delegated responsibility for voting to Henderson. The Board receives regular reports on the voting undertaken by Henderson on behalf of the Company. The Board and Henderson believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. Depending on the nature of the resolution, the Fund Manager will give specific instructions on voting non-routine and unusual or controversial resolutions. Decisions not to support resolutions and the rationale for doing so are fed back to the investee company prior to voting.

Practical difficulties may prevent Henderson voting in some markets. In particular, various factors, including restrictions on dealing and costs, may inhibit voting in some international markets and must be taken into account.

The Henderson responsible investment policy and further details of Henderson's responsible investment activities can be found on the Henderson website, www.henderson.com.

Employees, Social, Community, Human Rights and Environmental Matters

The Company's core activities are undertaken by Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste. The Company has therefore not reported on these, or social, community or human rights issues here. Henderson's policies are included in its Annual Report which can be found on the website www.henderson.com.

Henderson's corporate responsibility statement is included on the website stated above. In 2012, it was granted CarbonNeutral® Company status which it has committed to maintain at least until the end of 2018.

The Company's Annual Report is printed on paper produced using 50% recycled post-consumer waste and 50% wood fibre from fully sustainable forests with certification by the Forest Stewardship Council. The printing company used is certified as CarbonNeutral®.

Bribery Act 2010

The Board has reviewed the implications of the Bribery Act 2010, which came into force on 1 July 2011, and confirmed its zero tolerance to bribery and corruption in its business activities. It has received assurances from the Company's main contractors and suppliers that they maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents.

Modern Slavery Act 2015

As an investment vehicle the Company does not provide goods or services in the normal course of business, and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

Board Diversity

As set out on page 13, all of the Company's Directors are male. Their appointment was based on their skills and experience. The Company has no employees and therefore there is nothing further to report in respect of gender representation within the Company. The Board considers the diversity of Board membership as part of the annual performance evaluation, details of which are set out in the Corporate Governance Statement.

For and on behalf of the Board

Graham Oldroyd
Director
19 December 2016

Strategic Report: Glossary

Alternative Investment Fund Managers Directive ("AIFMD")

Agreed by the European Parliament and the Council of the European Union and transposed into English law, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ("AIFs") and requires them to appoint an Alternative Investment Fund Manager ("AIFM") and depositary to manage and oversee the operations of the investment vehicle. The Board retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Association of Investment Companies ("AIC")

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities.

AIC Flexible Investment Sector

The AIC category comprising funds with differentiated and flexible mandates.

Benchmark

An index against which performance is compared. For the Company this is the FTSE World Total Return Index in Sterling terms.

Beta

The beta of an investment measures the relationship with the overall market or chosen benchmark.

Composite index

A composite index is a grouping of equities, indices or other factors combined in a standardised way to provide a useful measure of market or sector performance over time.

Custodian

The Custodian is responsible for ensuring the safe custody of the Company's assets and that all transactions in the underlying holdings are transacted in an accurate and timely manner.

Depositary

With effect from 22 July 2014, all AIFs were required to appoint a Depositary which has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring, verification of ownership and valuation of the underlying holdings, and is responsible for the appointment of a Custodian. The Depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets. The Depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security and is a form of gearing as the fluctuations in value are usually greater than the fluctuations in the underlying security's value. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference. Foreign exchange, interest rates and commodities may also be traded using derivative contracts.

Dividend dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's registrars to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's NAV will be disclosed ex-dividend.

Gearing

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings (e.g. bank loans or overdrafts) the Company has used to invest in the market and is calculated by taking the difference between total investments and equity shareholders' funds, dividing this by equity shareholders' funds and multiplying by 100. The Company can also use synthetic gearing through derivatives and foreign exchange hedging.

Investment trusts

Investment trusts are public limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments subject to meeting certain criteria. Income, net of expenses and tax, is substantially distributed to shareholders. Investment trusts are also known as investment companies, although the tax legislation retains the reference to investment trusts.

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Strategic Report: Glossary (continued)

Look-through basis

Statistics provided on a look-through basis are an aggregation of the exposures of each of the Company's underlying portfolio investments.

Market capitalisation (market cap)

The market value of a company, calculated by multiplying the mid-market price per share by the number of shares in issue.

Net asset value ("NAV") per ordinary share

The value of the Company's assets (i.e. investments and cash held) less any liabilities (i.e. bank borrowings and debt securities) for which the Company is responsible, divided by the number of ordinary shares in issue. The aggregate NAV is also referred to as shareholders' funds on the Statement of Financial Position. The NAV is published weekly.

Ongoing charge

The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition or disposal of investments, financing costs and gains or losses arising on investments. The ongoing charge is based on actual costs incurred in the year as being the best estimate of future costs, excluding any performance fee, in accordance with methodology prescribed by the AIC and is the annualised ongoing charge divided by the average net asset value in the period.

Premium/discount

The amount by which the market price per ordinary share of an investment company is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share.

Revenue return per share

The revenue return per share is the revenue profit for the year divided by the weighted average number of ordinary shares in issue during the year.

Total return performance

This is the return on the share price or NAV taking into account both the rise and fall of share prices and the dividends and interest paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return).

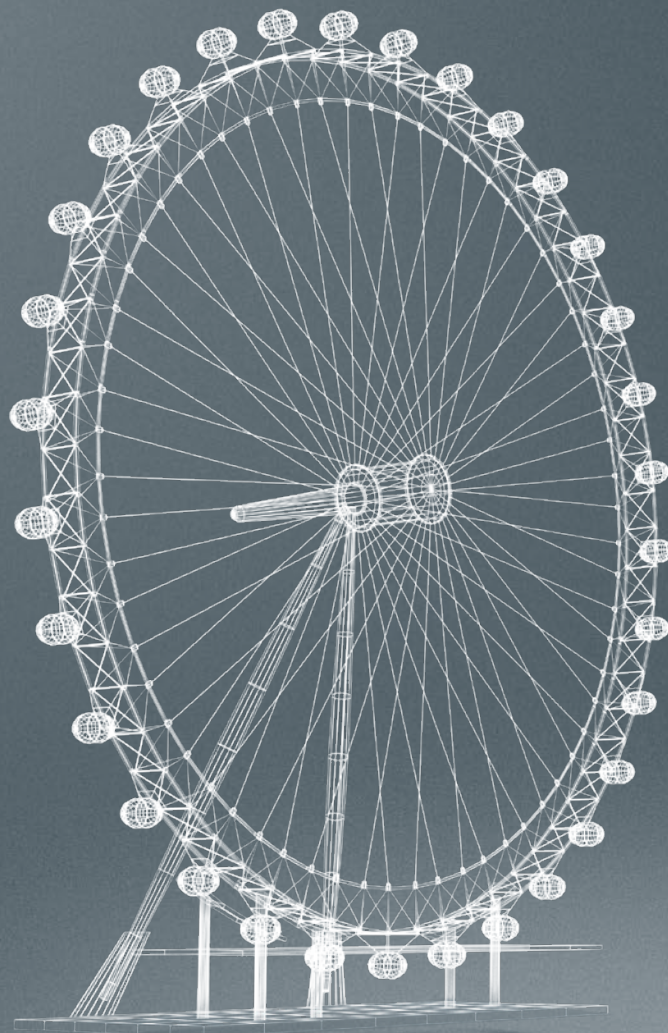
With/without redemption rights

Unlisted investments may or may not have redemption rights. Unlisted investments with redemption rights give the right to the Company, as an investor, to exit these investments periodically. Unlisted investments without redemption rights have no such provisions and are therefore likely to be less liquid in nature.

Yield

The annual dividend expressed as a percentage of the share price.

Corporate Report



Report of the Directors

The Directors present the Annual Report of the Company and their report for the year ended 30 September 2016. The Company, registered in Scotland with company registration number SC015905, was active throughout the year under review.

Directors' remuneration and shareholdings

The Directors' Remuneration Report on pages 24 and 25 provides information on the remuneration and share interests of the Directors.

Directors' conflicts of interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ("situational conflicts"). The Board has a formal system in place for Directors to declare situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the system it has in place for reporting and considering situational conflicts continues to operate effectively.

Related party transactions

Other than the relationship between the Company and its Directors, the provision of services by Henderson is the only related party arrangement currently in place as defined in the Listing Rules. Other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services (see Note 16 on page 51), there have been no material transactions with this related party affecting the financial position of the Company during the year under review.

Share capital

The Company's share capital comprises ordinary shares of 25p nominal value each. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's ordinary shares and there are no shares with specific rights with regards to control of the Company.

As at 30 September 2016, there were 42,976,264 shares in issue. No shares were held in treasury.

At the Annual General Meeting in January 2016, shareholders gave the Board authority to buy back 7,157,935 ordinary shares during the following 15 months for cancellation or to be held in treasury. During the year ended 30 September 2016, the Company did not buy back any shares.

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 30 September 2016 in accordance with the FCA Disclosure Guidance and Transparency Rules were as follows:

	% of voting rights
1607 Capital Partners, LLC	26.4
City of London	9.9
Wells Capital Management Inc	8.9

There have been no further notifications to the date of this report.

Duration of the Company and going concern

The Company's Articles of Association were amended in 2011 and a continuation vote was introduced requiring that shareholders be asked to approve the continuation of the Company every three years. The first vote was passed in 2011 and then again in December 2014. The next continuation vote will be in respect of the financial year ending 30 September 2017.

The Directors' assessment of going concern is detailed on page 40.

Dividend

The Directors are proposing a final dividend of 3.8p per ordinary share and special dividend of 2.6p per ordinary share which will be paid on 3 February 2017 to shareholders on the register on 12 January 2017, subject to approval at the Annual General Meeting.

Annual General Meeting ("AGM")

The AGM will be held on Wednesday 25 January 2017 at 11.30 am at the offices of Henderson, 201 Bishopsgate, London EC2M 3AE. The Notice and details of the resolutions to be put to shareholders at the AGM are contained in the separate document being sent to shareholders with this report.

Corporate Governance

The Corporate Governance Statement on pages 26 to 29 forms part of the Report of the Directors.

Report of the Directors (continued)

Directors' statement as to disclosure of information to Auditors

Each of the Directors who were members of the Board at the date of approval of this report confirms that to the best of his knowledge and belief, there is no information relevant to the preparation of the Annual Report of which the Company's Auditor is unaware and he has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditor is aware of that information.

Global greenhouse gas emissions

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations for the year to 30 September 2016 (2015: same), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
19 December 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102, the financial reporting standard applicable in the United Kingdom and Republic of Ireland, and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Directors' Responsibilities under DTR 4.1.12

Each of the Directors, who are listed on page 13, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board

Graham Oldroyd
Director
19 December 2016

The financial statements are published on **www.hendersonalternativestrategies.com** which is a website maintained by Henderson.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The maintenance and integrity of the website is the responsibility of Henderson; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"). The report also meets the relevant requirements of the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by Section 439 of the Act, an ordinary resolution to approve the report will be proposed at the Annual General Meeting on 25 January 2017. The Company's remuneration policy was approved by shareholders at the AGM held on 24 February 2014 for the first time in accordance with Section 439A of the Act.

The Company's Auditor is required to report on certain information contained within this report. Where information set out below has been audited it is indicated as such.

All Directors are non-executive and the Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual Director. It is believed that all relevant information is disclosed within this report in an appropriate format.

The Board as a whole considers the Directors' remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although the Directors review annually the fees paid to the boards of directors of other comparable investment trust companies).

Remuneration Policy

Directors are remunerated in the form of fees, payable quarterly in arrears to the Director personally. In accordance with the Company's Articles of Association the aggregate remuneration of the Directors may not exceed £150,000 per annum. Subject to the overall limit, the Company's policy is that remuneration should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and similar investment objectives and should be of a sufficient level to promote the long-term success of the Company. Non-executive Directors are not eligible for bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place.

All Directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit Committee who are paid a higher fee in recognition of their additional responsibilities. The level of remuneration paid to each Director is reviewed annually, although review will not necessarily result in any change to the rate; any feedback from shareholders would be taken into account when setting remuneration levels.

Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties. This policy has been in place since 1 October 2012. A resolution on this policy was approved at the AGM held on 24 February 2014 and accordingly it will remain in force until next put to shareholders at the 2017 AGM.

The Board may amend the level of remuneration paid to individual Directors within the parameters of the remuneration policy. No Director has a service contract with the Company.

The terms of Directors' engagement are set out in letters of appointment. There is a three month notice period and the Company reserves the right to make a payment in lieu of notice.

Annual Statement

As Chairman, Richard Gubbins reports that there have been no decisions on Directors' remuneration and no changes to the remuneration paid to each individual Director in the year ended 30 September 2016.

Annual Report on Remuneration

Directors' interests in shares (audited)

	Ordinary shares of 25p	
	30 September 2016	1 October 2015
Graham Fuller	10,000	10,000
Richard Gubbins	8,717	8,717
Jamie Korner	24,000	24,000
Graham Oldroyd	15,000	15,000

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown above. There have been no changes to any of the Directors' holdings in the period 1 October 2016 to the date of this report.

Directors' Remuneration Report (continued)

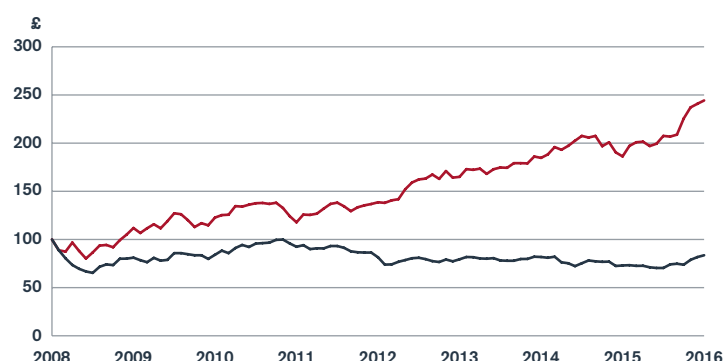
Performance

The Company's performance is measured against the FTSE World Total Return Index (in Sterling) (the "Benchmark Index"). The graph compares the mid-market price of the Company's ordinary shares over the eight year period ended 30 September 2016 with the return from the Benchmark Index over the same period, assuming the investment of £100 on 30 September 2008 and reinvestment of all dividends and income (excluding dealing expenses).

Source: Morningstar Direct and Datastream

— FTSE World Total Return Index (in Sterling)

— Henderson Alternative Strategies Trust plc share price total return



Directors' remuneration (audited)

The remuneration paid to the Directors who served during the years ended 30 September 2016 and 30 September 2015 was as follows:

	Year ended 30 September 2016 Total salary and fees £	Year ended 30 September 2015 Total salary and fees £	Year ended 30 September 2016 Expenses and taxable benefits £	Year ended 30 September 2015 Expenses and taxable benefits £	Year ended 30 September 2016 Total £	Year ended 30 September 2015 Total £
Graham Fuller	23,000	20,067	—	—	23,000	20,067
Richard Gubbins ¹	33,000	31,096	—	—	33,000	31,096
Daniel Hodson ²	—	3,913	—	—	—	3,913
Jamie Korner	23,000	20,067	—	—	23,000	20,067
Graham Oldroyd	26,000	25,217	135	109	26,135	25,326
Shane Ross ³	—	2,568	—	4,322	—	6,890
	105,000	102,928	135	4,431	105,135	107,359

Notes:

The table above omits other columns set out in the relevant regulations because no payment of other types such as performance related pay, vesting performance related pay and pension related benefits were made

¹ Chairman and highest paid Director

² Resigned as Senior Independent Director and Chairman of the Audit Committee on 19 December 2014

³ Resigned as Chairman on 11 November 2014

The fees were last increased in February 2015: Chairman £33,000 (2014: £22,500) per annum, Audit Committee Chairman £26,000 (2014: £18,000) per annum and other Directors £23,000 (2014: £15,000) per annum.

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors or third parties specified by any of them.

Relative importance of spend on pay

In order to show the relative importance of spend on pay, the table below sets out the total level of remuneration compared to the distributions paid to shareholders by way of dividends and share buybacks. There were no share buybacks or other significant distributions, payments or other uses of the Company's profit or cash flow deemed to assist in the understanding of the relative importance of spend on pay during the year, other than pursuant to the tender offer in December 2014.

	2016 £	2015 £	Change £
Total remuneration	105,135	107,359	(2,224)
Ordinary dividend paid	1,418,217	1,432,542	(14,325)
Buy back of ordinary shares pursuant to tender offer	—	12,925,142	(12,925,142)

Statement of voting at AGM

At the AGM held on 27 January 2016, 20,980,549 votes (99.72%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 34,467 (0.16%) were against, 24,757 (0.12%) were discretionary and 75,880 were withheld; the percentage of votes excludes votes withheld. In relation to the approval of the Remuneration Policy in February 2014, 25,240,466 votes (99.78%) were received voting for the resolution, 41,755 (0.17%) were against, 14,121 (0.05%) were discretionary and 11,231 were withheld.

For and on behalf of the Board

Graham Oldroyd
Director
19 December 2016

Corporate Governance Statement

The Corporate Governance Statement forms part of the Report of the Directors.

Applicable Corporate Governance Codes

The Board is accountable to shareholders for the governance of the Company's affairs. As an investment trust, the Company's day-to-day responsibilities are delegated to third parties. The Company has no employees and the Directors are all non-executive. Therefore not all the provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council ("FRC") in September 2014 are directly applicable to the Company. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in February 2015 (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the applicable principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The FRC has confirmed that by following the AIC Guide, boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

The Board has noted that the FRC and the AIC have issued revised Codes which the Company will be required to report against next year.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites: www.theaic.co.uk and www.frc.org.uk.

Statement of Compliance

The Directors believe that the Company has complied with the recommendations of the AIC Code that are applicable to smaller companies (those below the FTSE 350) during the year under review and up to the date of this report and thereby the provisions of the UK Code except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company. In particular, all of the Company's day to day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations.

Directors

Terms of Appointment

It is the Board's policy that none of the Directors has a service contract. However, the terms of their engagement are set out in letters of appointment, copies of which are available for inspection at the Company's registered office during normal business hours and at the Company's Annual General Meeting ("AGM"). There is a three month notice period and the Company reserves the right to make a payment in lieu of notice.

Directors' appointment and retirement

The appointment of new Directors is considered by the Nomination Committee, which makes recommendations to the Board.

Any Director appointed by the Board must stand for election by shareholders at the AGM following appointment. No Directors are subject to these provisions this year.

All Directors are appointed for an initial term of three years. The Articles of Association require each Director to retire and submit themselves for re-election at least every three years. Jamie Korner will stand for re-election at the 2017 AGM in accordance with this provision.

The AIC Code requires Directors serving more than nine years to offer themselves for re-election annually. In keeping with this provision, Graham Fuller will stand for re-election at the 2017 AGM.

The contribution and performance of Mr Korner and Mr Fuller was considered at the Nomination Committee meeting held in September 2016, after which their continued appointment was recommended to the Board. Any Director who has served more than six years on the Board is subject to rigorous review.

Under the Articles of Association, shareholders may remove a Director before the end of his term by passing a special resolution at a meeting. A special resolution is passed if more than 75% of the votes cast, in person or by proxy, are in favour of the resolution.

Directors' independence

The Directors have a wide range of interests and are not dependent on the Company. At the Nomination Committee meeting in September 2016, the Directors reviewed their independence and confirmed that all Directors remain independent of Henderson and in character and judgement.

Graham Fuller is the Company's Senior Independent Director and has served on the Board for more than nine years. In line with the AIC Code, the Board believes that length of service does not necessarily diminish the contribution from a Director as experience and knowledge of the Company is a positive factor and does not automatically impact independence. The Board considered his tenure and concluded that his contribution continued to be effective.

The Board determined that all remaining Directors continued to be independent in character and judgement and that their individual skills, broad business experience and knowledge and understanding of the Company were of benefit to shareholders.

There were no contracts subsisting during or at the end of the year in which a Director is or was materially interested and which is or was significant in relation to the Company's business. No Director has a contract of service with the Company and there are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors' professional development

When a new Director is appointed he or she is offered an induction seminar which is held by Henderson at the request of the Chairman. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors are also able to attend external training facilities and industry seminars at the

Corporate Governance Statement (continued)

expense of the Company and each Director's individual training requirements are considered by the Chairman as part of the annual performance evaluation process.

Directors' insurance and indemnification

Directors' and officers' liability insurance cover is in place which indemnifies the Directors against certain liabilities arising from the carrying out of their duties. Under the Company's Articles of Association and, subject to the provisions of UK legislation, a qualifying third-party provision indemnity may be provided to Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court. The Company has granted an indemnity to Directors to the extent permitted by law in respect of liabilities that may attach to them in their capacity as Directors of the Company.

The Board

Board composition

The Company's Articles of Association provide that the total number of Directors shall be not less than three nor more than nine. The Board currently consists of four non-executive Directors.

The biographies of the Directors holding office at the date of this report are set out on page 13 and demonstrate the breadth of investment management, financial services and professional experience relevant to their positions as Directors.

All Directors served throughout the year.

Responsibilities of the Board and its Committees

The Board meets formally at least four times a year, with additional Board or committee meetings arranged when required. The Directors have regular contact with Henderson and the Secretary between formal meetings. The Board has a formal schedule of matters specifically reserved for its decision, which includes strategy, approval of the Company's financial results and oversight of management decisions, investment limits and restrictions, and the internal control and risk management systems.

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's investment objective and is responsible for setting asset allocation, investment and gearing limits within which Henderson has discretion to act. It has adopted a procedure for Directors to take independent professional advice in the furtherance of their duties at the expense of the Company. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information.

Committees of the Board

The Board has three committees; the Audit Committee, the Nomination Committee and the Management Engagement Committee. Terms of reference for each of the Committees are available on the Company's website.

A separate Remuneration Committee has not been established as the Board consists of only non-executive Directors. The whole Board is responsible for setting Directors' fees in line with the Remuneration Policy, as set out on page 24.

Audit Committee

The Audit Committee is chaired by Graham Oldroyd and comprises all the Directors. The Report of the Audit Committee which forms part of the Corporate Governance Statement can be found on pages 30 to 31.

Nomination Committee

The Nomination Committee is chaired by Richard Gubbins and comprises all the Directors. When considering succession planning, the Committee bears in mind the balance of skills, knowledge, experience and diversity on the Board. It is considered that there is a range of backgrounds with each Director bringing relevant and balanced qualities to the Board and its discussions. It is not considered necessary for the Company to have set targets in relation to diversity due to the size of the Board. Candidates will be assessed in relation to the requirements of the Company at the time of appointment.

The Nomination Committee will make recommendations to the Board when it is considered appropriate to recruit additional non-executive Directors. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up. The Committee may use external agencies as and when recruiting additional Directors. All appointments to the Board are based on merit and the skills required to complement the Board's composition.

The Committee reviews and makes a recommendation to the Board regarding the Directors seeking re-election at the Company's AGM. Recommendation is not automatic and will follow a process of evaluation of each Director's performance and consideration of the Director's independence.

In assessing the Directors' performance, the Committee takes into account the experience and knowledge of the current Board members, and time commitment required from each Director. In accordance with the UK Code any Director serving for longer than six years is subject to particularly rigorous assessment of his contribution.

Directors' fees are set out in the Remuneration Report detailed on page 25. A resolution approving the Remuneration Policy was passed at the AGM held on 24 February 2014 and will be put to shareholders at the 2017 AGM.

Management Engagement Committee

The Management Engagement Committee is chaired by Richard Gubbins and comprises all the Directors. The Committee is responsible for reviewing the management agreement on a regular basis, ensuring that the terms are fair and reasonable and that its continuance, given the Company's performance over both short and longer terms, is in the best interests of the Company and its shareholders. The Committee also reviews the performance and cost effectiveness of the Company's other service providers.

The Committee met in September 2016 to carry out its annual review of Henderson, the results of which are detailed on page 29.

Corporate Governance Statement (continued)

Board attendance

The following table sets out the number of Board and Committee meetings held during the year under review and the number of meetings attended by each Director. At the AGM in January 2016, all those Directors serving at the time were in attendance with the exception of Jamie Korner.

	Board	AC	MEC	NC
Number of meetings	4	2	1	1
Graham Fuller	4	2	0	0
Richard Gubbins	4	2	1	1
Jamie Korner	3	2	1	1
Graham Oldroyd	4	2	1	1

AC: Audit Committee

MEC: Management Engagement Committee

NC: Nomination Committee

Committees of the Board also met during the year to undertake business such as the approval of the Company's results and dividend.

Performance evaluation

The Board conducted a review of its own performance, together with that of its Committees, the Chairman and each individual Director, through individual discussions. It was concluded that each were satisfactory and the Board had a good balance of skills and experience.

Internal controls

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company (see Principal Risks on page 15). The process accords with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC in September 2014 and is subject to regular review by the Board.

The Board has overall responsibility for the Company's system of internal control and risk management, and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 30 September 2016. During the course of the review the Board has not identified or been advised of any failings or weaknesses that have been determined as significant.

Henderson has established an internal control framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by Henderson's compliance, internal audit and risk departments on a continuing basis. The Board receives a formal report on a quarterly basis which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of Henderson, and which reports the details of any known internal control failures. The Board receives the annual

assurance report on Henderson's internal controls which includes a report from Henderson's service auditors, currently PwC, on the control policies and procedures in operation.

The Board confirms that in the event of any significant failings or weakness identified from the annual review of the effectiveness of the Company's system of internal control and risk management, necessary action would be taken to remedy them.

The ongoing process for identifying, evaluating and managing significant risks faced by the Company has been in place throughout the year under review and up to the date of this report. Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. As all of the Company's management functions are delegated to third parties, and the Board monitors the controls in place with support from Henderson's internal audit department, the Board feels that there is currently no need for the Company to have its own internal audit function.

Accountability and relationship with Henderson

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 23, the Independent Auditor's Report on pages 32 to 35 and the Viability Statement on page 16.

The Board has delegated contractually to external third parties, including Henderson, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets which is delegated through the appointment of the Depositary as explained on page 18), the day-to-day accounting, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

The Board considers regular reports from Henderson and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman is able to attend meetings of all the chairmen of the investment trust companies managed by Henderson which provides a forum to discuss industry matters.

Henderson takes decisions as to the purchase and sale of individual investments. Henderson also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of Henderson attend each Board meeting enabling the Directors to probe further on matters of concern. The Directors have access to the advice and services of the Corporate Secretary through its appointed representative who is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with. The proceedings at all Board and committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board and Henderson operate in a supportive, co-operative and open environment.

Corporate Governance Statement (continued)

The Corporate Secretary, Henderson Secretarial Services Limited, is a subsidiary of Henderson with its own reporting lines and audited internal controls. There are processes and controls in place to ensure that there is a clear distinction between the two entities particularly when dealing with any conflicts or issues between the Company and Henderson. Any correspondence from shareholders addressed to the Chairman or the Company received at Henderson's offices is forwarded to the Chairman of the Company in line with the procedures in place.

Henderson and BNP Paribas Securities Services, which acts for Henderson, have arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters.

Continued appointment of Henderson

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with Henderson are set out on page 2.

In addition to monitoring the investment performance at each meeting, the Management Engagement Committee undertakes an annual review of the Company's investment performance over both the short and longer terms, together with the quality of other services provided by Henderson, including company secretarial and accounting.

It is the Directors' opinion that the continuing appointment of Henderson on the existing terms is in the interests of the Company and its shareholders.

Share capital

Please see the Report of the Directors on page 21.

Relations with shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the half year results and Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the weekly calculation and publication of the NAV per share through a regulatory information service and a monthly fact sheet which is available on the website. Henderson provides information on the Company and Fund Manager through videos on the website, via various social media channels and through its HGi content platform, more details of which are included on page 14.

The Board considers that shareholders should be encouraged to attend and participate in the AGM. Shareholders have the opportunity to address questions to the Chairman of the Board, the Chairman of the Audit Committee and all other Directors at the meeting. The Fund Managers will make a presentation to shareholders on the Company's performance during the reporting period. A summary of the proxy votes received on the resolutions proposed is displayed at the meeting and each substantial issue is dealt with in a separate resolution. These documents are available on the Company's website. Shareholders wishing to lodge questions in advance of the meeting, or raise issues or concerns at any time, are invited to do so by writing to the Chairman at the correspondence address given on page 14 of this report.

General presentations to shareholders and analysts follow the publication of the annual results. All meetings between Henderson and shareholders are reported to the Board.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
19 December 2016

Report of the Audit Committee

The Audit Committee comprises all the Directors, including the Chairman of the Company. Details of the investment management and financial experience of the Directors can be found in the biographies on page 13.

Meetings

The Committee meets at least twice a year. The Company's Auditor is invited to attend meetings of the Committee on a regular basis. Representatives of Henderson and BNP Paribas Securities Services ("BNP") may also be invited to attend if deemed necessary by the Committee.

Responsibilities

The Audit Committee formally reports to the Board. The Committee's responsibilities are set out in terms of reference which are reviewed at least annually. In the year under review the main duties undertaken were:

- consideration of the appropriateness of the Company's accounting policies;
- a review of the half year results and the Annual Report, including the disclosures made therein in relation to internal controls and risk management, viability, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy in order to make recommendations to the Board. In assessing whether the report is fair, balanced and understandable, each Director reviewed the disclosures made, applying their respective knowledge and expertise. The internal controls over financial reporting were also considered together with feedback from the Company's Auditor;
- consideration of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from Henderson;
- consideration of the appropriate level of dividend to be paid by the Company for recommendation to the Board;
- consideration of the internal controls in place at Henderson and BNP as administrator and Henderson's policies in relation to cyber risk and business continuity, meeting with representatives of Henderson's internal audit and risk departments periodically;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- consideration of the nature, scope and findings of the external audit;
- annual consideration of whether there is a need for an internal audit function, in order to make a recommendation to the Board;
- consideration of the appointment of the Auditor, their effectiveness and their performance and remuneration;
- consideration of the Auditor's independence and objectivity and the provision of any non-audit services and the reporting of the external Auditor; and
- consideration of the whistle blowing policy that Henderson has put in place for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence.

Annual Report for the year ended 30 September 2016

In relation to the Annual Report for the year ended 30 September 2016 the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	Actively traded investments are valued using stock exchange prices provided by third-party pricing vendors. Investments that are unquoted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed by both Henderson's Fair Value Pricing Committee and by the Directors at least twice each year. Ownership of listed investments is verified by reconciliation to the custodian's records; for unquoted investments, verification is via additional reconciliation to the records of the investee entities.
Recognition of income	Income received is accounted for in line with the Company's accounting policies (as set out on page 40) and is reviewed by the Committee at each meeting.
Compliance with Section 1158 of the Corporation Tax Act 2010	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times.
Maintaining internal controls	The Committee receives regular reports on internal controls from Henderson and its delegates and has access to the relevant personnel of Henderson who have a responsibility for risk management and internal audit.

Report of the Audit Committee (continued)

External audit process

The Auditor provides a planning report in advance of the audit and a report on the annual audit. The Committee assesses the performance of the Auditor and the audit process through discussions with the Auditor present and privately, with the Fund Managers and the Company Secretary. Fees paid or payable to the Auditors are detailed in note 4 on page 43.

Auditor's appointment

Grant Thornton UK LLP were appointed as Auditor in 2013. This is the first year the current audit partner has been in place.

The Audit Committee remains satisfied with the effectiveness of the audit provided by Grant Thornton. On the basis of the Auditor's performance the Audit Committee recommended their continuing appointment to the Board. The Auditor has indicated their willingness to continue in office. Accordingly, resolutions to confirm the re-appointment of Grant Thornton UK LLP as Auditor to the Company and to authorise the Audit Committee to determine their remuneration will be proposed at the AGM.

Policy on non-audit services

In accordance with Financial Reporting Council's Guidance on Audit Committees, the Committee has formulated a written policy on the provision of non-audit services by the Company's statutory Auditor. The Audit Committee has determined that the Company's appointed Auditor will never be considered for the provision of accounting and preparation of the financial statements, internal audit and custody. All other non-audit services will be judged on a case-by-case basis and will be approved by the Audit Committee.

The Auditor currently undertakes no other services for the Company.

Graham Oldroyd
Audit Committee Chairman
19 December 2016

Independent Auditor's Report to the Members of Henderson Alternative Strategies Trust plc

Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
 - have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

Who we are reporting to

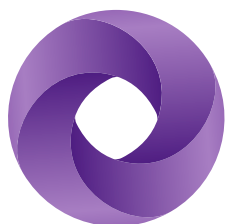
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

What we have audited

Henderson Alternative Strategies Trust plc's financial statements for the year ended 30 September 2016 comprise the Income Statement, Statement of Changes in Equity, Statement of Financial Position, Cash Flow Statement and the related notes.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Overview of our audit approach



- Overall materiality: £1,327,000 which represents 1% of the company's Net Assets; and
 - The key audit risk identified was valuation and ownership of unquoted and quoted investments.
-

Independent Auditor's Report to the Members of Henderson Alternative Strategies Trust plc (continued)

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

Audit risk	How we responded to the risk
<p>Valuation and Ownership of unquoted and quoted investments</p> <p>The Company's business as an investment company is to exploit global opportunities to provide long-term growth to shareholders via a diversified, international, multi-strategy investment portfolio, which offers access to specialist funds including hedge funds and private equity funds. The Company invests in a minimum of 30 such investments. The investment portfolio was valued at £112m at the year-end, of which £69m of investments were listed on recognised stock exchanges and £43m were unlisted. As different valuation approaches are applied to the different types of investment, there are risks that the investment valuation recorded in the Statement of Financial Position may be incorrect. Also, there is a risk that investments recorded might not be owned by the Company. We therefore identified valuation of unquoted investments as a significant risk requiring special audit consideration and ownership of unquoted investments and valuation and ownership of quoted investments as risks requiring particular audit consideration.</p>	<p>Unquoted investments</p> <p>Our audit work on valuation included, but was not restricted to:</p> <ul style="list-style-type: none"> obtaining an understanding of the type of unquoted investments held, the valuation techniques applied by management in valuing those investments and assessing the accounting policies for investments against the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (issued November 2014)'; considering whether the techniques applied were in accordance with published guidance, principally the International Private Equity and Venture Capital Valuation Guidelines; testing the valuations, on a sample basis, by, where applicable, obtaining directly from the individual investment managers, their independent valuations of investee companies' Net Asset Values (NAV); where applicable, agreeing the NAV to the year-end NAV as reported by an independent source of market prices; where available, reviewing the audited financial statements of investee companies; and where relevant, agreeing the valuation of shares purchased or sold in investee companies; and reading minutes of the Company's alternative investment fund manager's Fair Value Pricing Committee to ascertain the robustness of the challenge to valuations. <p>Our audit work on ownership included, but was not restricted to:</p> <ul style="list-style-type: none"> obtaining direct confirmation, on a sample basis, from the underlying investment managers of the investments held by the Company; and testing the reconciliation and cut off of movements in investments held. <p>Quoted Investments</p> <p>Our audit work to the risk of valuation included, but was not restricted to:</p> <ul style="list-style-type: none"> understanding managements process to value investments and assessing the accounting policies for investments against the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (issued November 2014); and comparing the valuation of quoted investments to an independent source of market prices. <p>Our audit work to the risk of ownership included, but was not restricted to:</p> <ul style="list-style-type: none"> obtaining confirmation of the investments held at the year-end directly from the independent custodian; and testing the reconciliation and cut off of movements in investments held. <p>The company's accounting policy on investments is shown in note 1(g) and related disclosures are included in Notes 8 and 15. The Audit Committee identified valuation and ownership of the Company's investments as a significant issue in its report on page 30, where the Committee also described the action that it has taken to address this issue.</p>

Independent Auditor's Report to the Members of Henderson Alternative Strategies Trust plc (continued)

Our application of materiality and an overview of the scope of our audit

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £1,327,000, which is 1% of the Company's net assets. This benchmark is considered the most appropriate because net assets is primarily composed of the Company's investment portfolio.

Materiality for the current year is higher than the level that we determined for the year ended 30 September 2015, although the benchmark is the same, as the valuation of the investment portfolio has increased.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality. We also determine a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the Audit Committee to be £66,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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

We are independent of the Company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the Company's business and is risk based. The day-to-day management of the Company's investment portfolio, the custody of investments and maintenance of accounting records are outsourced to third-party service providers.

Accordingly, our audit work focussed on obtaining:

- an understanding of, and evaluating, internal controls at the Company and relevant third-party service providers; and
- inspecting records and documents held by the Company and third-party service providers. This included a review of reports on the description, design and operating effectiveness of internal controls at relevant third-party service providers.

We performed substantive testing on significant account balances, transactions and disclosures to the extent determined by our overall assessment of the controls environment, our evaluation of the design effectiveness of controls over individual systems and the management of specific risks.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report to the Members of Henderson Alternative Strategies Trust plc (continued)

Under the Listing Rules, we are required to review:

- the directors' statements in relation to going concern and longer-term viability, set out on pages 40 and 16 respectively; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

We have nothing to report in respect of the above.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Responsibilities for the financial statements and the audit

What the directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
19 December 2016

Income Statement

Notes		Year ended 30 September 2016			Year ended 30 September 2015		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
8	Gains/ (losses) on investments at fair value through profit or loss	–	12,977	12,977	–	(7,509)	(7,509)
	Exchange differences	–	254	254	–	61	61
	Gross revenue and capital gains	–	13,231	13,231	–	(7,448)	(7,448)
2	Investment income	3,685	–	3,685	2,090	–	2,090
3	Investment management fees	(85)	(766)	(851)	(86)	(782)	(868)
4	Other expenses	(354)	–	(354)	(351)	–	(351)
	Net return on ordinary activities before interest and taxation	3,246	12,465	15,711	1,653	(8,230)	(6,577)
	Finance costs – interest	(7)	(66)	(73)	(3)	(26)	(29)
	Net return on ordinary activities before taxation	3,239	12,399	15,638	1,650	(8,256)	(6,606)
5	Taxation	(16)	–	(16)	–	–	–
7	Net return on ordinary activities after taxation	3,223	12,399	15,622	1,650	(8,256)	(6,606)
7	Return/(loss) per ordinary share	7.50p	28.85p	36.35p	3.72p	(18.61p)	(14.89p)

The total column of this statement represents the Income Statement of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the AIC. The Company had no recognised gains or losses other than those recognised in the Income Statement. No operations were acquired or discontinued in the year. All revenue and capital items in the above statement derive from continuing operations.

Statement of Changes in Equity

Notes	Year ended 30 September 2016	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
	Balance at 1 October 2015	10,744	10,966	7,709	87,108	1,917	118,444
	Return attributable to shareholders	–	–	–	12,399	3,223	15,622
6	Ordinary dividends	–	–	–	–	(1,418)	(1,418)
	Balance at 30 September 2016	10,744	10,966	7,709	99,507	3,722	132,648

Notes	Year ended 30 September 2015	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
	Balance at 1 October 2014	11,938	10,966	6,515	108,289	1,700	139,408
	Return attributable to shareholders	–	–	–	(8,256)	1,650	(6,606)
	Shares bought back – tender offer	(1,194)	–	1,194	(12,925)	–	(12,925)
6	Ordinary dividends	–	–	–	–	(1,433)	(1,433)
	Balance at 30 September 2015	10,744	10,966	7,709	87,108	1,917	118,444

Statement of Financial Position

Notes	As at 30 September	2016 £'000	2015 £'000
	Fixed Assets		
8	Investments held at fair value through profit or loss	111,935	106,982
	Current assets		
8	Investments held at fair value through profit or loss	22,868	6,995
9	Debtors	689	1,990
	Cash at bank	–	220
	Cash held as CFD margin deposit	–	2,692
	Total current assets	23,557	11,897
10	Creditors: amounts falling due within one year	(2,844)	(435)
	Net current assets	20,713	11,462
	Total assets less current liabilities	132,648	118,444
	Capital and reserves		
11	Called up share capital	10,744	10,744
	Share premium account	10,966	10,966
	Capital redemption reserve	7,709	7,709
	Capital reserve	99,507	87,108
	Revenue reserve	3,722	1,917
	Total equity shareholders' funds	132,648	118,444
7	Net asset value per ordinary share	308.66p	275.60p

The Statement of Financial Position previously reported has been restated to classify money market funds as current asset investments. For further details see Note 1.

The financial statements on pages 36 to 51 were approved and authorised for issue by the Board of Directors on 19 December 2016.

Graham Oldroyd
Director

Cash Flow Statement

Year ended 30 September	2016 £'000	(Restated) 2015 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	15,638	(6,606)
Add back: finance costs	73	29
(Gains)/losses on investments held at fair value through profit or loss	(12,977)	7,509
Withholding tax on dividends deducted at source	(16)	–
(Increase)/decrease in prepayments and accrued income	(47)	17
Increase in accruals and deferred income	(190)	(248)
Exchange movements: cash and cash equivalents	(6)	(2)
Net cash inflow from operating activities	2,475	699
Cash flows from investing activities		
Purchases of investments held at fair value through profit or loss	(43,465)	(39,027)
Sales of investments held at fair value through profit or loss	55,434	43,600
Purchases of current asset investments held at fair value through profit or loss	(51,612)	(40,699)
Sales of current asset investments held at fair value through profit or loss	35,739	49,954
Net cash (outflow)/inflow from investing activities	(3,904)	13,828
Cash flows from financing activities		
Share buybacks	–	(12,925)
Equity dividends paid	(1,418)	(1,433)
Interest paid	(73)	(29)
Net cash outflow from financing activities	(1,491)	(14,387)
Net (decrease)/increase in cash and cash equivalents	(2,920)	140
Cash and cash equivalents at beginning of year	2,912	2,770
Exchange movements	6	2
Cash and cash equivalents at end of year	(2)	2,912
Comprising:		
Cash (overdrawn)/held at bank	(2)	220
Cash held as CFD and futures margin deposits	–	2,692
	(2)	2,912

The Cash Flow Statement previously reported has been restated to comply with the new disclosure requirements of FRS 102 and the classification of money market funds as current asset investments. This includes the disclosure of purchases and sales in the money market funds as purchases and sales of current asset investments which were not previously disclosed. For more details see note 1.

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

1 Accounting policies

a) Basis of preparation

The Company is a registered investment company as defined in Section 833 of the Companies Act 2006 and is incorporated in the United Kingdom. It operates in the United Kingdom and is registered at the address on page 14.

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland (which is effective for periods commencing on or after 1 January 2015) and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("SORP") issued in November 2014. The date of transition to FRS 102 was 1 October 2014. The Company's accounting policies are consistent with the prior year. Following the application of the revised reporting standards there have been no significant changes to the accounting policies compared to those set out in the Company's Annual Report for the year ended 30 September 2015.

The Company has early adopted the amendments to FRS 102 in respect of fair value hierarchy disclosures as published in March 2016.

There has been no impact on the Company's Income Statement or Statement of Changes in Equity (previously called the Reconciliation of Movements in Shareholders' Funds) for periods previously reported. The Cash Flow Statement previously reported has been restated to comply with the new disclosure requirements and the classification of money market funds as current asset investments. The Statement of Financial Position for both periods also reflects the classification, however, there has been no impact on total equity shareholders' funds.

In line with FRS 102 and the revised SORP, transaction costs incidental to the purchase and sale of investments have been re-classified and included as part of the gain on investments held at fair value through profit or loss, and disclosed in Note 8, instead of being shown separately on the face of the Income Statement as a capital expense.

The financial statements have been prepared under the historical cost basis except for the measurement at fair value of investments. In applying FRS 102, financial instruments have been accounted for in accordance with Section 11 and 12 of the Standard. All of the Company's operations are of a continuing nature.

b) Going concern

Having considered the Company's investment objective, risk management and capital management policies, the nature of the portfolio and expenditure projections, the Directors believe that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

c) Income

Investment income is included in the Income Statement and taken to the revenue return on an ex-dividend basis except where, in the opinion of the Directors, the dividend is capital in nature in which case it is taken to the "Gains or losses on investments held at fair value through profit or loss" in the capital return column. Deposit interest is included on an accruals basis.

d) Expenses and interest

Expenses and interest payable are accounted for on an accruals basis.

e) Investment management fees and finance costs

The investment management fee and interest payable have been allocated 10% to revenue and 90% to capital. The allocation is in line with the long-term historic split of returns, in the form of income and capital gains respectively, from the investment portfolio.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

f) Taxation

The taxation charge represents the sum of current and deferred taxation. Current taxation is based on the results showing in the accounts and is calculated using the prevailing taxation rates. Deferred taxation is accounted for in respect of all material timing differences to the extent that it is probable that an asset or liability will crystallise. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the effective rate of corporation tax for the accounting period.

In line with the recommendations of the AIC SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred to the capital return column.

Deferred taxation is provided on all timing differences that have originated but not reversed by the Statement of Financial Position date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. Any liability to deferred tax is provided at the average rate of tax expected to apply based on tax rates and laws that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

g) Investments

The Company's investments are categorised as "fair value through profit or loss". All investments are held at fair value. For listed investments, this is deemed to be quoted bid prices as at 30 September 2016 or closing prices for SETS stocks sourced from the London Stock Exchange.

CFDs are derivatives in the form of synthetic equities and are fair valued with reference to the investment's underlying bid price. The aggregate of CFD liability positions is presented in creditors: amounts due in less than one year.

Unquoted investments are valued at fair value based on the latest available information, principally net asset value, and with reference to the International Private Equity and Venture Capital Valuation Guidelines.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as "Gains or losses on investments held at fair value through profit or loss".

Transaction costs incurred on the purchase and disposal of investments are included within the cost or deducted from the proceeds of the investment and disclosed in Note 8. All purchases and sales are accounted for on a trade date basis.

h) Use of estimates

The preparation of financial statements requires the Company to make judgements, estimates and assumptions that affect amounts reported for assets and liabilities at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. However, the nature of estimation means that the actual outcomes could differ from those estimates, possibly significantly. The estimates and underlying assumptions are reviewed on an ongoing basis. The judgements relate to the fair value of unquoted investments where there is no appropriate market price.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

i) Foreign currencies

The results and financial position of the Company are expressed in pounds Sterling, which is the functional and presentation currency of the Company. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company operates.

Transactions recorded in overseas currencies during the year are translated into Sterling at the appropriate daily exchange rates. Monetary assets and liabilities and equity investments held at fair value through profit or loss which are denominated in foreign currencies at the Statement of Financial Position date are translated into Sterling at the exchange rates ruling at that date.

Any gains or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital or to the revenue return of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

j) Capital and reserves

Called up share capital represents the nominal value of ordinary shares issued.

The share premium account represents the premium above nominal value received by the Company on issuing shares net of issue costs.

The revenue reserve represents accumulated revenue profits retained by the Company that have not currently been distributed to shareholders as a dividend.

The capital redemption reserve represents the nominal value of ordinary shares that have been repurchased and cancelled.

Gains and losses on realisations of fixed asset investments, and transaction costs, together with appropriate exchange differences, are dealt with in the Capital Reserve. A portion of the investment management fee and finance costs, together with any tax relief, is also taken to this reserve. Increases and decreases in the valuation of fixed asset investments are dealt with in this reserve. The cost of share buybacks is also charged directly to this reserve.

k) Distributable reserves

The Company's capital reserve and revenue reserve may be distributed by way of a dividend.

l) Dividends payable

Final dividends are recognised in the period in which they are paid. Dividends are dealt with in the Statement of Changes in Equity.

2 Investment income

	2016 £'000	2015 £'000
Income from equity shares and securities		
UK investment income	224	355
Overseas income	3,242	1,506
Property income distributions	176	166
	3,642	2,027
Other income		
Interest from money market funds	35	25
Bank interest	7	12
Other income	1	26
	43	63
Total income	3,685	2,090

Notes to the Financial Statements (continued)

3 Investment management fees

	2016 £'000	2015 £'000
Revenue		
Investment management fee	85	86
Capital		
Investment management fee	766	782
Total	851	868

Details of the fee basis are contained in the Strategic Report on page 2.

4 Other expenses

	2016 £'000	2015 £'000
Revenue		
General expenses	179	179
Directors' fees	105	103
Auditors' remuneration – audit services ¹	36	35
Depository charges	34	34
	354	351

¹ These figures include VAT. Fees for audit services excluding VAT were £30,000 (2015: £29,000)

5 Taxation

	2016 £'000	2015 £'000
Net return on ordinary activities before taxation	15,638	(6,606)
Corporation tax at 20% (2015: 20.5%)	3,128	(1,354)
Non-taxable dividends	(658)	(335)
Non-taxable (gains)/losses on investments	(2,646)	1,530
Gains on disposal of non-qualifying offshore funds	248	414
Movement in unutilised management expenses	(72)	(255)
Overseas withholding tax	16	–
Total taxation charge for the year	16	–

The Company's profit for the accounting year is taxed at an effective rate of 20.0% (2015: 20.5%). The standard rate of corporation tax has been 20% since 1 April 2015.

The Company is subject to taxation on gains arising from the realisation of investments in non-qualifying offshore funds but is otherwise exempt from taxation on chargeable gains. Excess management expenses are available to be offset against future taxable profits including any profits on the disposal of interests in non-qualifying offshore funds. The position at the year end is as follows:

	2016 £'000	2015 £'000
Excess management expenses	5,458	6,160
Unrealised appreciation on non-qualifying offshore funds	(4,387)	(2,880)
Excess management expenses	1,071	3,280

No provision for deferred taxation has been made in the current or prior accounting year. The Company has not provided for deferred tax on capital gains or losses arising on the revaluation and disposal of investments as it is exempt from tax on these items because of its investment trust status except for those arising from the realisation of investments in non-qualifying offshore funds. The Company has not recognised a deferred tax asset totalling £182,000 (2015: £656,000) based on a prospective corporation tax rate of 17% (2015: 20%). The UK Government announced in July 2015 that the corporate tax rate is set to be cut to 19% in 2017 and 18% in 2020. These reductions in the standard rate of corporation tax were substantially enacted on 26 October 2015 and became effective from 18 November 2015. The rate for 2020 was subsequently lowered to 17% by the Finance Act 2016. The deferred tax asset arises as a result of having unutilised management expenses in excess of unrealised appreciation on non-qualifying offshore funds. These expenses will only be utilised, to any material extent, if the Company has profits chargeable to corporation tax in the future because changes are made to the tax treatment of the capital gains made by investment trusts, where disposals of non-qualifying offshore funds would otherwise result in a tax charge or there are other changes to the Company's investment profile which require them to be used.

Notes to the Financial Statements (continued)

6 Dividends on equity shares

	2016 £'000	2015 £'000
2015 final dividend 3.30p (2014: 3.0p)	1,418	1,433

The proposed final dividend of 3.80p per share and special dividend of 2.60p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. This dividend of £2,750,000 (2015: £1,418,000) is the basis on which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £3,223,000 (2015: £1,650,000).

All dividends have been paid or will be paid out of revenue profits.

7 Returns/Net Asset Value per ordinary share

The return per ordinary share is based on the net return attributable to the ordinary shares of £15,622,000 (2015: £6,606,000 loss) and on 42,976,264 ordinary shares (2015: 44,363,017) being the weighted average number of ordinary shares in issue during the year. The return per ordinary share can be further analysed between revenue and capital, as below:

	2016 £'000	2015 £'000
Net revenue return	3,223	1,650
Net capital return/(loss)	12,399	(8,256)
Net total return	15,622	(6,606)

Weighted average number of ordinary shares in issue during the year	42,976,264	44,363,017
--	-------------------	-------------------

	2016 Pence	2015 Pence
Revenue return per ordinary share	7.50	3.72
Capital return/(loss) per ordinary share	28.85	(18.61)
Total return per ordinary share	36.35	(14.89)

The Company does not have any dilutive securities, therefore the basic and diluted returns per share are the same.

The net asset values per share are based on the net assets of £132,648,000 (2015: £118,444,000) divided by the number of shares in issue at the year end of 42,976,264 (2015: 42,976,264).

The movements during the year of the assets attributable to the ordinary shares were as follows:

	2016 £'000	2015 £'000
Total net assets at 1 October	118,444	139,408
Total net return on ordinary activities after taxation	15,622	(6,606)
Ordinary dividends paid in the year	(1,418)	(1,433)
Ordinary shares bought back – tender offer	–	(12,925)
Net assets attributable to the ordinary shares at 30 September	132,648	118,444

Notes to the Financial Statements (continued)

8 Fixed assets – Investments at fair value through profit or loss

	2016 £'000	2015 £'000
Listed investments	68,932	72,490
Unlisted investments	43,003	34,492
	111,935	106,982

	Listed £'000	Unlisted £'000	2016 £'000	2015 £'000
Valuation as at 1 October 2015	72,490	34,492	106,982	119,933
Investment holding (losses)/gains as at 1 October	(4,020)	(766)	(4,786)	10,207
Cost as at 1 October 2015	76,510	35,258	111,768	109,726
Purchases of investments at cost	27,884	18,089	45,973	38,057
Proceeds from sales of investments	(36,401)	(17,207)	(53,608)	(43,600)
Net gains on sale of investments	1,154	5,214	6,368	7,585
Transfers	(2,362)	2,362	–	–
Cost as at 30 September 2016	66,785	43,716	110,501	111,768
Investment holding (losses)/gains as at 30 September	2,148	(714)	1,434	(4,786)
Valuation as at 30 September 2016	68,933	43,002	111,935	106,982
Net gains on sale of investments	1,154	5,214	6,368	7,585
Movement in investment holding gains/(losses)	6,168	52	6,220	(14,993)
Total gains/(losses) on investments	7,322	5,266	12,588	(7,408)
Total gains/(losses) on CFD liabilities held at fair value through profit or loss			389	(101)
Total gains/(losses) on investments held at fair value through profit or loss			12,977	(7,509)

Transaction costs

In the year to 30 September 2016 transaction costs on the acquisition and disposal of portfolio investments amounted to £74,000 (acquisitions £40,000 and disposals £34,000). In the year to 30 September 2015 these costs amounted to £27,000 (acquisitions £14,000 and disposals £13,000).

As indicated on page 40, transaction costs for the prior year have been reclassified in line with FRS102 and the revised SORP.

Current asset investments

The Company has a holding in Deutsche Global Liquidity Managed Platinum Fund, a money market fund which is viewed as a readily disposable store of value and which is used to invest cash balances that would otherwise be placed on short-term deposit. At the year end this holding had a value of £22,868,000 (2015: £6,995,000). As FRS 102 states that an investment normally qualifies as a cash equivalent only when it has a short-term maturity of, say three months or less from the date of acquisition, it has been considered that the money market fund should be classified as a current asset investment instead of a cash equivalent within the Statement of Financial Position (previously called the Balance Sheet) and Cash Flow Statement.

9 Debtors

	2016 £'000	2015 £'000
Accrued income	205	15
Due from brokers	396	1,934
Prepayments and other receivables	88	41
	689	1,990

Notes to the Financial Statements (continued)

10 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Amounts due to brokers	2,508	–
Other creditors	334	334
Due to Depositary	2	–
CFD liabilities held at fair value through profit or loss	–	101
	2,844	435

11 Share capital

	Shares in issue	Nominal value of total shares in issue £'000
Allotted, issued and fully paid ordinary shares of 25p		
At 1 October 2015	42,976,264	10,744
Shares bought back and cancelled	–	–
At 30 September 2016	42,976,264	10,744
Allotted, issued and fully paid ordinary shares of 25p		
At 1 October 2014	47,751,404	11,938
Shares bought back and cancelled	(4,775,140)	(1,194)
At 30 September 2015	42,976,264	10,744

In December 2014, a tender offer, for up to 10% of the Company's shares, was fully subscribed. As a result, 4,775,140 ordinary shares were bought back and subsequently cancelled. The cost of the purchases amounted to £12,771,000 and a further £154,000 of costs were incurred in connection with the tender offer. The total costs incurred of £12,925,000 were charged to Capital Reserve as shown in note 12.

Every shareholder has the right to one vote for each share held.

12 Retained earnings

	2016 £'000	2015 £'000
Capital reserve		
At 1 October	87,108	108,289
Movement In investment holding gains/(losses)	6,609	(15,094)
Gains on realisation of investments at fair value	6,368	7,585
Currency gains	254	61
Finance costs	(66)	(26)
Investment management fees	(766)	(782)
Shares bought back – tender offer	–	(12,925)
At 30 September	99,507	87,108

The capital reserve includes investment holding gains amounting to £1,434,000 (2015: £4,887,000 losses) as disclosed in notes 8 and 10.

	2016 £'000	2015 £'000
Revenue reserve		
At 1 October	1,917	1,700
Net revenue return	3,223	1,650
Dividends paid	(1,418)	(1,433)
At 30 September	3,722	1,917

Notes to the Financial Statements (continued)

13 Substantial interests

The Company is aware of the following interests of 10% or more of units, shares or capital in the following investment funds which are material to the financial statements.

Company	% held
Eurovestech plc	17.25
Mantra Secondary Opportunities	11.09 ¹

¹ The Company holds 11.09% of the total fund and 63.49% of the US\$ share class

The Company is not aware of any other substantial interests in the investee undertakings that require disclosure.

14 Financial information on significant unlisted investments

In accordance with the SORP, the following information is provided for the unlisted investments in the Company's ten largest investments.

Company	% of capital owned	Cost £'000	Income recognised by the Company £'000	Investment income £'000	Pre-tax profits/(losses) £'000	Net assets attributable £'000
BlackRock European Hedge Fund Limited	0.40	4,840	–	26,761	479,283	1,544,988
CEIBA Investments Limited	7.24	4,457	198	6,418	29,183	115,458
Majedie Asset Management Tortoise Fund	1.02	4,703	–	21,063	(84,853)	868,030
Mantra Secondary Opportunities	11.09	3,015	–	4,987	16,376	42,523
Schroder Gaia Indus PacificChoice Asia Fund	6.24	4,991	–	2,542	9,130	161,362

Investment income, pre-tax profits and net assets attributable (to all unit holders across all share classes) are taken from the latest audited accounts of the investment and translated into Sterling at the 30 September 2016 exchange rates.

15 Financial instruments

Risk management policies and procedures

As an investment trust company the Company invests in equities and other investments for the long term so as to secure its investment objectives as stated in the Strategic Report. In pursuing its investment objective, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks, market risk (comprising equity price risk, currency risk and interest rate risk), liquidity risk and credit risk, and the Directors' approach to the management of these risks, are set out below. The Board of Directors and Henderson coordinate the Company's risk management and there are various risk management systems in place as detailed below:

- straight-through processing via a deal order and management system ("OMS") is utilised for listed securities, exchange-traded derivatives and OTC derivatives contracts with connectivity to third-party affirmation and trade repository services;
- portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine;
- fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services) which utilises HiPortfolio software;
- the IT tools to which the Henderson Risk, Compliance and Operations teams have access for independent monitoring and risk measurement purposes include:
 - Charles River Compliance module for investment restrictions monitoring;
 - Arc Logics operational risk database;
 - Risk metrics for VaR statistics, stress-testing and back-testing;
 - UBS Delta, Style Research, Finanalytica and Barra Aegis for market risk measurement;
 - Bloomberg for market data and price-checking; and
 - HiPortfolio for portfolio holdings and valuations.

Notes to the Financial Statements (continued)

15 Financial instruments (continued)

These are supplemented by in-house developments: Derivatives Risk and Compliance database ("DRAC") and Counterparty Exposure ("CER") reports.

Appropriate guidelines for the management of the Company's financial instruments and gearing have been established by the Board of Directors. Specifically, gearing (borrowings and gross exposure of long-only CFDs) will not normally exceed 20% of net assets.

Market risk exists where there are changes in share prices, equity valuations, interest rates and the liquidity of financial instruments. The Company addresses this risk by owning a diversified portfolio of investments covering a range of market capitalisation, sectors and geographic regions. Market price risk management is part of the Company's management process and is typical of equity related investment. The portfolio is managed so as to minimise the effects of adverse price movements and results from detailed and continuing analysis with an objective of maximising overall returns to shareholders.

Liquidity risk exists where the Company is a forced seller of its investments at times where there may not be sufficient demand for these assets. Although some holdings are unlisted or trade on illiquid markets and are by their nature less liquid than larger companies, the Company maintains a long-term investment view and is rarely required to sell its investments in a forced manner.

Interest rate risk exists where the returns generated from the investments are less than the cost of borrowing. This risk has been mitigated by operating with a relatively small level of gearing at most times. The level will only be increased where an opportunity exists to add to net asset value performance.

Credit risk exists where a counterparty fails to discharge an obligation or commitment entered into with the Company. Henderson monitors counterparty risk as part of the overall investment management process. This risk is reduced by using counterparties that are substantial, well financed organisations which are reviewed on a regular basis. Most investment transactions are conducted on-market and are delivery versus payment. The Company's principal counterparties are bankers State Street and CFD provider UBS. Henderson only uses trade execution broker organisations that are authorised by the Financial Conduct Authority.

Sensitivity analysis

The following table details the impact on returns and net assets of the Company to changes in the principal drivers of performance, namely investment returns, foreign currencies and interest rates. The calculations are based on the balances at the respective Statement of Financial Position dates and are not representative of the year as a whole.

	2016 £'000	2015 £'000
Investment portfolio		
10% increase in price of investments ¹	11,194	10,941
10% decrease in price of investments ¹	(11,194)	(10,941)
Other assets/liabilities		
Interest rate +0.5%	104	57
Interest rate -0.5%	(104)	(57)
Foreign currency		
US Dollar strengthens by 5% against Sterling	2,103	1,589
US Dollar weakens by 5% against Sterling	(2,103)	(1,589)
Hong Kong Dollar strengthens by 5% against Sterling	n/a	178
Hong Kong Dollar weakens by 5% against Sterling	n/a	(178)
Euro strengthens by 5% against Sterling	1,132	987
Euro weakens by 5% against Sterling	(1,132)	(987)

¹ For CFDs this is calculated by a 10% increase or decrease in the underlying share price

Notes to the Financial Statements (continued)

15 Financial instruments (continued)

The Company's investment policy is to hold investments and cash balances with gearing being provided by a bank overdraft and the use of long-only CFDs. All financial assets and liabilities are carried at fair value. The fair value is the same as the carrying value of all financial assets and liabilities.

The Company has the following foreign currency exposures.

	2016 £'000	2015 £'000
Fixed asset investments		
– US Dollar	42,056	31,582
– Euro	22,643	19,709
– Hong Kong Dollar	–	3,554
Bank		
– US Dollar	–	201
– Euro	–	22
Debtors		
– US Dollar	1	–
Exchange rate		
– US Dollar	1.299	1.357
– Euro	1.156	1.515
– Hong Kong Dollar	10.075	11.739

Where appropriate, gearing is utilised in order to enhance net asset value. The Company does not invest in fixed rate securities other than where the Company has substantial cash resources. In this situation, the Company has typically held short dated UK Government Securities, or money market funds. Investments, which comprise mainly equity investments, are valued as detailed in the Company's accounting policies.

The Company only operates short-term gearing, which combined with the use of long-only CFDs, is limited to 20% of the Company's net asset value. Borrowing may be undertaken through an unsecured variable rate bank overdraft with interest being charged based on prevailing interest rates. The fair value is not materially different from the carrying value of all financial assets and liabilities as disclosed in notes 8, 9 and 10.

Classification of financial instruments at fair value	2016 £'000	2015 £'000
Level 1	59,910	61,492
Level 2	32,257	30,391
Level 3	19,768	14,998
Total	111,935	106,881

Level 1 reflects financial instruments quoted in active market.

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. These are principally CFDs, where the price is based on the underlying quoted investment price, or investments in funds with redemption rights where the price is based on valuations provided by the funds' administrators.

Level 3 reflects financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by unobservable inputs. These include monthly priced funds and quarterly priced limited partnerships.

Notes to the Financial Statements (continued)

15 Financial instruments (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Valuation as at 1 October 2015	61,492	30,391	14,998	106,881
Investment holding (losses)/gains as at 1 October	(9,822)	13,773	(8,838)	(4,887)
Cost as at 1 October 2015	71,314	16,618	23,836	111,768
Purchases of investments at cost	27,884	13,370	4,719	45,973
Proceeds from sale of investments	(34,753)	(13,780)	(5,363)	(53,896)
Net (losses)/gains on sale of investments	(14)	6,061	609	6,656
Transfers from Level 1 to Level 3	(2,362)	–	2,362	–
Cost as at 30 September 2016	62,069	22,269	26,163	110,501
Investment holding (losses)/gains as at 30 September	(2,159)	9,988	(6,395)	1,434
Valuation as at 30 September 2016	59,910	32,257	19,768	111,935

The gains and losses included in the above table have all been included within gains/(losses) on investments in the Income Statement on page 34. The Directors believe that the use of reasonable possible alternative assumptions for its Level 3 holdings would not result in a valuation significantly different from the valuation included in these financial statements.

Transfers from Level 1 to Level 3 represent investments which are no longer actively traded.

The Board has granted Henderson a limited authority to invest in CFDs to achieve some degree of gearing and/or hedging without incurring the gross cost of investment.

Unlisted investment disposals

The following material disposals of unlisted investments have taken place during the year.

Investment	Proceeds £'000	Cost £'000	Value at 30 September 2015 £'000
CT Invest Fund	4,696	4,076	3,958
Metage Emerging Markets Opportunities Fund	1,604	613	1,555
Value Partners China Greenchip Fund Limited	3,565	750	3,554

Classification of financial instruments

The Board requires Henderson to operate within certain risk ranges of normal exposure, as detailed in the Report of the Directors and Fund Managers' Report.

	2016 £'000	2015 £'000
CFD analysis		
Number of holdings (2016 – 0, 2015 – 1)		
Gross exposure – all long	–	2,423
Net unrealised gains/(losses) at 30 September	–	(101)

	2016 £'000	2015 £'000
Contractual maturity analysis		
Creditors – due not later than one month	(334)	(334)
Due to Depositary	(2)	–
Due to brokers	(2,508)	–
Total creditors maturity due not later than one month	(2,844)	(334)

Notes to the Financial Statements (continued)

15 Financial instruments (continued)

	2016 £'000	2015 £'000
Maximum credit risk analysis		
As at the year end the Company's maximum credit risk exposure was as follows:		
Bank	–	220
Money market funds	22,868	6,995
Cash held as CFD margin deposit	–	2,692
Accrued income	205	15
Payments and other receivables	88	41
Due from brokers	396	1,934
Total maximum credit risk	23,557	11,897

Capital management policies

The Company's management objectives are to provide shareholders with long-term capital growth, deploying the proceeds of ordinary shareholders' equity and making tactical use of a restricted level of gearing.

	2016 £'000	2015 £'000
Capital and reserves:		
Share capital	10,744	10,744
Share premium	10,966	10,966
Capital redemption reserve	7,709	7,709
Capital reserve	99,507	87,108
Revenue reserve	3,722	1,917
Total shareholders' funds	132,648	118,444

The Company's objectives for managing capital are detailed in the Strategic Report and have been complied with throughout the year. The Company normally restricts effective gearing (borrowings and gross exposure of long-only CFDs) to 20% of net assets, maintains a minimum share capital of £50,000 (as a public company) and adheres to the capital restrictions imposed by relevant company and tax legislation.

16 Transactions with Manager and related parties

Under the terms of an agreement effective from 22 July 2014 the Company has appointed subsidiaries of Henderson Group plc ("Henderson") to provide investment management, accounting, secretarial and administration services. Henderson has contracted BNP Paribas Securities Services to provide accounting and administration services.

Details of the fee arrangements for these services are given on page 2. The total of management fees paid or payable to Henderson under this agreement in respect of the year ended 30 September 2016 was £851,000 (2015: £868,000). The amount outstanding at 30 September 2016 was £232,000 payable to Henderson (2015: £207,000).

In addition to the above services, Henderson has provided the Company with sales and marketing services during the year. The total fees, including VAT, for the year ended 30 September 2016 amounted to £24,000 (2015: £24,000).

Fees paid to Directors are considered to be related party transactions. Details of the amounts paid are included in Note 4 on page 43. Directors' shareholdings are shown on page 24.

17 Commitments

The Company had outstanding commitments of £6.9 million (2015: £7.7 million) in respect of undrawn commitments to funds and no contingencies at 30 September 2016 (2015: nil).

General Shareholder Information

AIFMD Disclosures

In accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), information in relation to the Company's leverage and remuneration of Henderson, as the Company's Alternative Investment Fund Manager ("AIFM") is required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in a Key Investor Information Document ("KIID") which can be found on the Company's website www.hendersonalternativestrategies.com.

BACS

Dividends can be paid by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from Computershare Investor Services PLC ("the Registrar"). Alternatively, shareholders can write to the Registrar (the address is given on page 14) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Common Reporting Standard

With effect from 1 January 2016, new tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information is being introduced. The legislation will require the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information will have to be provided annually to the local tax authority of the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Equality Act 2010

Copies of this report and other documents issued by the Company are available from the Corporate Secretary. If needed, copies can be made available in a variety of formats, including Braille or larger type as appropriate.

You can contact the Registrar who has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator, by dialling 0870 702 0005. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a "typetalk" operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial.

FATCA

The Foreign Account Tax Compliance Act ("FATCA") is a United States federal law enacted in 2010 whose intent is to enforce the requirement for United States persons (including those living outside the US) to file yearly reports on their non-US financial accounts. As a result of HMRC's change of interpretation on the meaning of shares and securities "regularly traded on an established securities market", investment trusts now need to monitor each year the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company will therefore need to make an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, will need to identify and report U.S. reportable accounts to HMRC, as required.

Non-Mainstream Pooled Investments (NMPI) Status

The Company currently conducts its affairs so that its ordinary shares of 25p each can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

ISA

The Company intends to continue to manage its affairs in order to qualify as an eligible investment for a stocks and shares ISA.

Share price listings

The market price of the Company's ordinary shares is published daily in The Financial Times and other leading newspapers.

Performance details/share price information

Details of the Company's share price and NAV per share can be found on the website www.hendersonalternativestrategies.com.

The Company's NAV is published weekly.

Shareholder details

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar, via www.computershare.com. Please note that to gain access to your details on the Computershare site you will need the holder reference number shown on your share certificate.

Warning to shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services PLC, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment "advice".

If you are in any doubt about the veracity of an unsolicited phone call, please call the Corporate Secretary at the number provided on page 14.

Henderson Alternative Strategies Trust plc
Registered as an investment company in Scotland
Registration Number SC015905
Registered Office: Leven House, 10 Lochside Place, Edinburgh Park, Edinburgh EH12 9DF

ISIN/SEDOL Number: Ordinary Shares: GB0001216000/0121600
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Legal Entity Identifier (LEI) 213800J6LLOCA3CUDF69

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