



ANNUAL SHORT REPORT

For the year ended
30 June 2017

Janus Henderson
— INVESTORS —

Henderson Institutional Short Duration Bond Fund

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Short Report
For the year ended 30 June 2017

Investment Fund Manager

Edward Panek

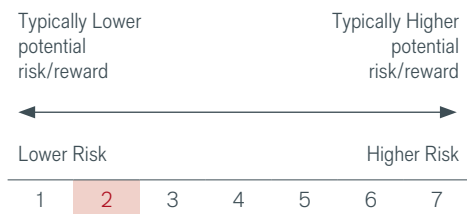
Investment objective and policy

The fund aims to generate capital and income returns through investment in a diversified portfolio of short duration fixed income and variable rate securities. The fund may invest in Cash, Certificates of Deposit (CDs), Time Deposits, Commercial Paper, Floating Rate Notes, Fixed Rate Corporate Bonds, Covered Bonds, Asset Backed Securities (ABS including residential mortgage backed securities (RMBS)), government issued or guaranteed securities and securities issued by supranational or public international bodies. The fund may also invest in derivatives for the hedging of credit, currency and interest rate risk.

Risk and reward profile

The fund currently has 1 type of share class in issue; Z accumulation gross.

The risk and reward profile is as follows:



The Synthetic Risk and Reward Indicator (SRRI) is calculated based on historical volatility over a rolling 5 year period¹, it is reviewed monthly and updated if volatility has changed materially to cause a movement in the SRRI level. The SRRI is an indicator and may not accurately reflect future volatility and market conditions.

The value of an investment in the fund can go up or down. When you sell your shares they may be worth less than you paid for them.

¹ As the share class does not have a 5 year history, a synthetic history has been created using the fund's relevant sector average.

The risk/reward rating above is based on medium-term volatility. In the future, the fund's actual volatility could be higher or lower and its rated risk/reward level could change.

The lowest category does not mean risk free.

The fund's risk level reflects the following:

- As a category, bank deposits and money market instruments are less volatile than shares.
- Fluctuations in a number of factors, such as interest rates, exchange rates and the perceived credit quality of the bonds held may cause the value of your investment, and any income from it, to rise or fall.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events. Under normal market conditions the following risks may apply:

Counterparty risk The fund could lose money if a counterparty with which it transacts becomes unwilling or unable to meet its obligations to the fund.

Default risk The issuers of certain bonds could become unable to make payments on their bonds. The risk of default may be higher where the fund invests in sub-investment grade bonds.

Focus risk The fund's value may fall where it has concentrated exposure to an issuer or type of security that is heavily affected by an adverse event.

Liquidity risk In difficult market conditions certain securities could become hard to value or sell at a desired time and price.

Management risk Investment management techniques that have worked well in normal market conditions could prove ineffective or detrimental at other times.

Exchange rate risk Fluctuations in exchange rates may cause the value of your investment and any income from it to rise or fall.

The full list of the fund's risks are contained in the "Risk Factors" section of the fund's prospectus.

There has been no change in the risk rating in the period.

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

Investment review

The year started on a positive note as credit markets shrugged off the short-lived sharp sell-off in markets after the shock result of the UK referendum on European Union membership in late June 2016. Risk appetite returned as oil rebounded (after bottoming at \$26 per barrel) on expectations of supply cuts and as central banks announced further monetary policy easing.

The European Central Bank (ECB) announced a raft of measures, including cutting the deposit rate to -0.4%, boosting its bond-buying programme to include corporate debt and a new series of targeted longer-term refinancing operations. Meanwhile, the Bank of Japan announced 'yield curve control', a commitment to target a yield of around 0% for the 10-year government bond, alongside negative short term interest rates. The Bank of England cut interest rates, reinstated its asset purchase programme and pledged additional inexpensive liquidity for banks. This in turn helped drive a rally in sterling bond markets.

The populists continued to take centre stage, with Donald Trump's stunning upset victory in the US presidential election grabbing the headlines. The expected volatility (sharper fluctuations in prices) in financial markets never materialised, with the US dollar appreciation being the most significant move in the immediate aftermath.

The second half of the year under review saw a change in the direction of central bank policy, as the US Federal Reserve raised interest rates in December 2016 and again in March and June while the ECB slowed the pace of its asset purchases, albeit extending the duration of the programme.

Corporate and securitised credit markets strongly outperformed government equivalents during the year, shrugging off the episodes of volatility surrounding political events and rising in price as populist candidates underperformed expectations in the Netherlands and France (both market-friendly events). Default rates remained low, with lower rated and higher yielding corporate bonds and loans among the best performers.

Performance was predominantly driven by coupon income (regular interest paid on a bond). Although price volatility is limited in the portfolio holdings due to the high credit quality and shorter maturity of the bonds, the fund enjoyed some capital appreciation as central bank intervention drove bond prices higher.

Positive contributions came from the three principal asset classes – money market instruments, corporate bonds and asset-backed securities (ABS). There were no material detractors from performance during the year.

At the end of the period in question, the fund held nearly 30% of holdings in assets denominated in currencies other than sterling, investing in securities denominated in euros, US dollars and Czech krona. These investments were hedged back to sterling using forward foreign exchange contracts.

Over £300m of assets were redeemed from the fund during November and December 2016. We used these outflows to implement some asset allocation shifts, increasing our positioning in the ABS market, which offered the best risk-adjusted returns when compared with other permissible assets in the fund. These switches improved the prospective returns of the portfolio, without a material increase in credit risk.

We also reduced our holdings in US dollar denominated securities, as the cost of currency hedging grew more punitive for sterling-based investors and euro and sterling assets offered more compelling relative value opportunities. At the end of the year in question, we had only 3% of the portfolio invested in US dollar denominated securities, with Citibank being the largest such holding.

The opportunity to enhance returns by buying assets denominated in Japanese yen and hedging the investment back to sterling faded during the year, and we let our yen positions expire (around 4% of assets).

During the year, the fund made use of currency forwards and interest rate swaps. These instruments were used to hedge both currency and interest rate risk.

We will maintain discipline in our focus on shorter duration, higher-rated bonds. Despite the positive performance of our investments in recent months, the world is still an uncertain place. Increased political volatility and unrest has the potential to spill over into financial markets at some point. The

potential withdrawal of central bank liquidity in the market is also a cause for concern, but we believe the short dated and highly rated nature of the fund's investments should reduce the impact of any wider volatility in credit markets.

We expect coupon income to continue driving the returns of the fund.

Performance summary

	30 Jun 16- 30 Jun 17	Since launch 24 Nov 15- 30 Jun 16
	%	%
Henderson Institutional Short Duration Bond Fund*	1.0	0.6
3-month £ LIBOR	0.4	0.4

Source: Janus Henderson Investors, close of business, gross figures, based on performance of Class Z accumulation gross.

* The fund launched on 24 November 2015.

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Fund facts

Accounting dates	Payment dates
31 December, 30 June	30 November, Last day of February, 31 May, 31 August

Ongoing charge figure

	2017	2016
	%	%
Class Z	0.04	0.04*

The annualised ongoing charge figure (OCF) of the fund is calculated as the ratio of the total ongoing charges to the average net asset value for twelve months.

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

* The fund launched on 24 November 2015.

Comparative tables for the year ended 30 June 2017

	Class Z accumulation gross	
	2017 (pence per share)	2016 (pence per share)
Change in net assets per share		
Opening net asset value per share	100.60	100.06 ¹
Return before operating charges*	1.01	0.58
Operating charges	(0.04)	(0.04)
Return after operating charges*	0.97	0.54
Distributions on accumulation shares	(0.61)	-
Retained distributions on accumulation shares	0.61	-
Closing net asset value per share	101.57	100.60
* after direct transaction costs of:	-	0.51
Performance		
Return after charges	0.96%	0.54%
Other information		
Closing net asset value (£000s)	1,442,098	1,601,182
Closing number of shares	1,419,821,418	1,591,633,842
Operating charges	0.04%	0.04%
Direct transaction costs	0.00%	0.00%
Prices		
Highest share price (pence)	101.62	100.70
Lowest share price (pence)	100.63	100.06

¹ Class Z accumulation gross launched on 24 November 2015. This is the initial launch price.

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

Operating charges

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

Share class launches and closures

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

Past performance is not a guide to future performance

Major holdings

as at 2017	%
Penarth Master Issuer FRN 18/10/2019 2014-2X A1	1.82
Dolphin Master Issuer FRN 28/09/2009 2013-2 A	1.78
Gracechurch Card FRN 15/07/2021	1.74
Commonwealth Bank of Australia FRN 15/12/2017	1.74
Bumper FRN 23/03/2026 7 A	1.68
Arkle Master Issuer 3.986% 17/08/2017	1.60
Matsuba FRN 27/08/2021 2016-1 A	1.53
FCT Ginkgo FRN 18/05/2043 15-SF1 A	1.53
Duncan Funding FRN 17/12/2062 2015-1 A1	1.50
Rabobank Nederland 0.36% 08/02/2018	1.46

Asset allocation

as at 2017	%
United Kingdom	33.20
Germany	13.23
France	11.05
Netherlands	9.81
United States	5.68
Australia	4.72
United Arab Emirates	3.05
Switzerland	2.78
Denmark	2.56
Czech Republic	2.52
Sweden	1.87
Japan	1.58
Canada	1.11
Singapore	1.04
Norway	0.07
Derivatives	(0.08)
Other net assets	5.81
Total net assets	100.00

Major holdings

as at 2016	%
Japan (Government of) 0% 10/08/2016	3.92
Penarth Master Issuer FRN 18/10/2019 2014-2X A1	1.92
Duncan Funding FRN 17/12/2062 2015-1 A1	1.79
Master Credit Card Trust FRN 23/09/2019 2016-1A A	1.73
Dolphin Master Issuer FRN 28/09/2009 2013-2 A	1.69
Abbey National Treasury Services 0.70% 19/12/2016	1.57
Storm FRN 22/04/2054 2016-1 A1	1.55
Bavarian Sky FRN 20/10/2023 GER4 A	1.35
Permanent Master Issuer 4.805% 15/07/2042 3A	1.34
FCT Ginkgo FRN 18/05/2043 15-SF1 A	1.30

Asset allocation

as at 2016	%
United Kingdom	29.82
United States	14.72
Germany	9.55
Netherlands	8.00
France	7.11
Japan	5.01
Canada	4.98
Switzerland	3.41
Australia	2.95
Denmark	2.87
Sweden	2.09
Singapore	1.80
United Arab Emirates	1.69
Finland	1.56
Belgium	1.03
Norway	0.24
Derivatives	(2.31)
Other net assets	5.48
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson Institutional Short Duration Bond Fund for the year ended 30 June 2017.

Copy of the half yearly long form report and financial statements of this fund are available on our website www.janushenderson.com or contact client services on the telephone number provided.

Other information

The information in this report is designed to enable you to make an informed judgement on the activities of the fund during the year it covers and the results of those activities at the end of the year.

Issued by:

Henderson Investment Funds Limited
Registered office:
201 Bishopsgate
London
EC2M 3AE
Member of The Investment Association
and authorised and regulated
by the Financial Conduct Authority.
Registered in England No 2678531

Shareholder Administrator

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

Risk warning

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Depositary

National Westminster Bank Plc
135 Bishopsgate
London
EC2M 3UR

Auditor

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Further information

Shareholder enquiries

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

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

The following line is also available:

Client Services: **0800 832 832**

or you can contact us via e-mail at support@janushenderson.com

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

Online valuations

You can value your Henderson Institutional Short Duration Bond Fund at any time by logging on to www.janushenderson.com. Select 'Personal Investor' and then access 'Valuations' from the Tools Menu. Simply select the fund you hold and enter the appropriate number of shares.

Important Information

Janus Henderson Investors is the name under which Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795354), AlphaGen Capital Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2606646), Gartmore Investment Limited (reg. no. 1508030), (each incorporated and registered in England and Wales with registered office 201 Bishopsgate, London EC2M 3AE) are authorised and regulated by the Financial Conduct Authority to provide investment products and services. Telephone calls may be recorded and monitored.

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

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