



ANNUAL SHORT REPORT

For the year ended
30 June 2017

Janus Henderson
— INVESTORS —

Henderson European Smaller Companies Fund

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Short Report

For the year ended 30 June 2017

Investment Fund Managers

Ollie Beckett and Rory Stokes

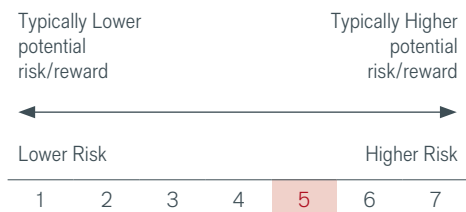
Investment objective and policy

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

Risk and reward profile

The fund currently has 2 types of share class in issue; A accumulation and I accumulation.

Each share class has the same risk and reward profile which is as follows:



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

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

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

The share classes appear at 5 out of 7. Share classes in higher categories have shown greater and/or more frequent variations in share price in the past 5 years than those in lower categories. The lowest category does not mean risk free.

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

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

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

Derivatives risk Derivatives use exposes the fund to risks different from, and potentially greater than, the risks associated with investing directly in securities and may therefore result in additional loss, which could be significantly greater than the cost of the derivative.

Equities risk Shares can lose value rapidly, and typically involve higher risks than bonds or money market instruments. The value of your investment may fall as a result.

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

Hedging risk Measures designed to reduce the impact of certain risks may not be available or may be ineffective.

Smaller companies risk Shares of small and mid-size companies can be more volatile than shares of larger companies. Market conditions, such as a decrease in market liquidity, may mean that it is not easy to value or to sell a share at a desired time and price, increasing the risk of investment losses.

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

The risk rating has changed from 6 to 5 during the year for all share classes.

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

Investment review

The fund returned 50.1% versus 35.8% for the benchmark index.

There was no shortage of political events to worry about in the year to 30 June 2017. The market had to contend with elections in the US, Austria, the Netherlands, France and the UK, as well as an Italian referendum on political reform. While these events were not completely ignored by investors, the robust returns over the year serve to highlight the greater importance of strong economic growth and corporate health. Regarding the European economy, the data was largely positive: the manufacturing purchasing managers' index reached a six-year high, unemployment continued to fall, industrial production increased, credit growth returned and consumer confidence moved to attractive levels. Given this improvement, it was not surprising to see gross domestic product (GDP) forecasts upgraded to approximately 2% for the eurozone in 2017. While this is not an eye-catching figure, it allows for a good operating environment for Europe's smaller companies, which look set to grow earnings at close to 20% in 2017.

The fund performed well, driven by good stock selection as well as our bias toward the value style. We have resisted the urge in recent years to shift the portfolio to the better performing 'quality growth' end of the market, where valuations have continued to rerate (undergone a reassessment by the market) far beyond what we would deem reasonable value. Instead, we have sought more attractively valued shares in the more cyclical end of the market.

Lenzing was our biggest contributor; the Austrian chemical producer supplies the global textile industry with fibres and is well positioned to capitalise on the projected long-term growth in demand for viscose and cellulose fibres. Other strong performers included Einhell Germany (craftsman tools manufacturer), Ahlstrom-Munksjo (fibre producer for decor papers as well as compostable food and beverage packaging), Bobst (printing presses) and Mensch und Maschine, which distributes and sells computer aided design software.

In terms of activity, we built a position in Silmaasema, one of the leading optician and eye surgery chains in Finland. Both opticians and eye surgery are growth

areas that command good margins, which should produce good cash flow in the coming years. We also bought Banca Farmafactoring, an Italian bank that earns money by buying and collecting receivables owned to large pharmaceutical companies and others from the Italian health service and state. The company earns very high returns on capital and pays all the cash out as a substantial dividend. We also bought Barco following a period of transition in which management has focused on its most attractive niches. This predominantly means digital cinema, which looks to be at the start of a replacement/upgrade cycle.

We sold GFK after the latest profit warning led to both the chief executive officer and the chairman stepping down. We had been hopeful that a turnaround by management could be achieved, but we have now cut our losses and moved on. Elsewhere, we closed our position in Esprinet after a profit warning, as we had concerns that the substantial price pressure being seen in its core market of Italian electronics was no closer to abating. We also closed our position in Sopra Steria, taking good profits; the valuation had begun to look full, and we have developed concerns about the seemingly deteriorating earnings quality.

While we continue with our bias toward value stocks, it has been encouraging to see the market less dominated by a particular style in 2017. This serves as a reminder that our time is best spent finding mispriced securities where the market perception is wrong, rather than focusing too much on where the German 10-year bund yield goes next.

That being said, many clients have been asking us recently for our view on European smaller companies after a period of strong performance. We take the somewhat simplistic view that small caps are a leveraged play on global GDP growth (at approximately 2.2x historically), so if you believe that the global economy is continuing to grow, then small caps look attractive. From a regional standpoint, Europe is yet to have a meaningful earnings recovery; hence, we believe the superior levels of growth forecast for 2017 (versus the US and Asia) are much more achievable.

Performance summary

	30 Jun 16- 30 Jun 17 %	30 Jun 15- 30 Jun 16 %	30 Jun 14- 30 Jun 15 %	30 Jun 13- 30 Jun 14 %	30 Jun 12- 30 Jun 13 %
Henderson European Smaller Companies Fund	50.1	9.4	3.9	27.3	23.8
Euromoney Smaller Europe (ex UK) Index	35.8	14.2	(0.3)	26.8	32.6

Source: Morningstar, bid to bid and net of fees, as at 12 noon valuation point, based on performance of Class A accumulation. Benchmark values are at close of business.

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

Fund facts

Accounting dates

31 December, 30 June

Payment dates

31 August

Ongoing charge figure

	2017 %	2016 %
Class A	1.71	1.72
Class I	0.86	0.87

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

Comparative tables

	Class A accumulation			Class I accumulation		
	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)	2017 (pence per share)	2016 (pence per share)	2015 (pence per share)
Change in net assets per share						
Opening net asset value per share	1,450.34	1,305.99	1,264.48	1,599.77	1,428.30	1,377.60
Return before operating charges*	727.96	167.57	62.38	806.96	184.49	62.49
Operating charges	(30.57)	(23.22)	(20.87)	(17.37)	(13.20)	(11.79)
Return after operating charges*	697.39	144.35	41.51	789.59	171.47	50.70
Distributions on accumulation shares	(3.76)	(6.74)	-	(17.26)	(23.32)	(15.61)
Retained distributions on accumulation shares	3.76	6.74	-	17.26	23.32	15.61
Closing net asset value per share	2,147.73	1,450.34	1,305.99	2,389.36	1,599.77	1,428.30
* after direct transaction costs of:	2.35	1.72	1.45	2.65	1.91	1.62

Performance

Return after charges	48.8%	11.05%	3.28%	49.36%	12.01%	3.68%
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Other information

Closing net asset value (£000s)	64,078	42,971	55,124	74,533	27,386	14,111
Closing number of shares	2,983,528	2,962,853	4,220,879	3,119,374	1,711,859	987,973
Operating charges	1.71%	1.72%	1.72%	0.86%	0.87%	0.87%
Direct transaction costs	0.13%	0.13%	0.12%	0.13%	0.13%	0.12%

Prices

Highest share price (pence)	2,207.00	1,466.00	1,391.00	2,454.00	1,616.00	1,520.00
Lowest share price (pence)	1,441.00	1,228.00	1,020.00	1,590.00	1,350.00	1,109.00

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	%
Kaufman & Broad	1.96
Munksjö	1.77
Lenzing	1.76
Van Lanschot	1.72
Einhell Germany Preference Shares	1.69
FinecoBank	1.65
Interroll	1.64
Barco	1.62
Banca Farmafactoring	1.60
Fluidra	1.56

Asset allocation

as at 2017	%
Industrials	32.84
Consumer Services	15.45
Consumer Goods	14.42
Financials	12.27
Technology	7.89
Basic Materials	6.01
Health Care	3.58
Oil & Gas	3.37
Telecommunications	0.72
Other net assets	3.45
Total net assets	100.00

Major holdings

as at 2016	%
IFG	2.32
Van Lanschot	2.13
Verkkokauppa.com	2.05
OC Oerlikon	2.03
Interroll	1.88
Aareal Bank	1.77
Comet	1.69
Nobina	1.64
Criteo ADS	1.59
Lenzing	1.59

Asset allocation

as at 2016	%
Industrials	30.14
Consumer Services	17.75
Financials	13.51
Technology	12.26
Consumer Goods	10.85
Basic Materials	5.33
Oil & Gas	4.49
Health Care	0.98
Other net assets	4.69
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson European Smaller Companies Fund for the year ended 30 June 2017.

Copies of the annual and half yearly long form reports 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.

Depository

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 European Smaller Companies 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.