



# ANNUAL SHORT REPORT

For the year ended  
31 October 2016

**Henderson**  
GLOBAL INVESTORS

**Henderson Global Technology Fund**

# Henderson Global Technology Fund

## Short Report

For the year ended 31 October 2016

### Investment Fund Managers

Richard Clode and Stuart O’Gorman

### Investment objective and policy

To aim to provide capital growth by investing in companies worldwide that derive, or are expected to derive, profits from technology.

### Risk and reward profile

The fund currently has 3 types of share class in issue; A accumulation, I accumulation and Z accumulation.

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



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

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

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

The lowest category does not mean risk free.

The fund’s risk level reflects the following:

- The Fund focuses on a particular industry.
- As a category shares are, in general, more volatile than either bonds or money market instruments.

- Fluctuations in exchange rates may cause the value of your investment to rise or fall.

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

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

**Liquidity risk** Certain securities could become hard to value or sell at a desired time and price.

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

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

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

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

### Investment review

The Henderson Global Technology Fund returned 32.8% for the year to 31 October 2016, versus a benchmark return of 40.6% for the MSCI All Countries World Information Technology Index.

At the sector level, stock selection within the technology hardware and internet sectors were the largest contributors to performance. Information technology (IT) services, communications equipment and semiconductor equipment were the largest detractors. The fund’s cash balance was also detrimental to performance, exacerbated by the significant depreciation of sterling following the Brexit referendum.

At the stock level, the fund's underweight position in Apple contributed positively to performance, as expectations for the iPhone 6S cycle proved overly optimistic after the very successful iPhone 6. Apple remains reliant on the iPhone for the vast majority of its profits. The fund's Chinese internet holdings, NetEase and Tencent, were strong performers in the year. NetEase continues to benefit from the transition to mobile gaming as it leverages its strong portfolio of PC game titles to mobile. Tencent is the dominant social network in China and is now monetising that user base with advertising in addition to mobile gaming and virtual items. The fund's semiconductor holdings in Applied Materials and Broadcom also contributed positively. Applied Materials should profit from rising capital intensity in semiconductor manufacturing, notably in the transition to 3D NAND. They are also a rare play on flexible displays, which are increasingly being adopted by smartphones. Broadcom is the culmination of the merger of Avago and Broadcom, which closed in early 2016. The company is a leading player in growth areas such as datacentre semiconductors and RF filters.

Given the significant outperformance of semiconductor stocks during the year, large semiconductor stocks not held in the fund, like TSMC and Nvidia, detracted from performance. The latter also benefited from its relationship to high growth areas such as virtual reality, artificial intelligence and autonomous driving. The managers are struggling with the valuation of many of these semiconductor stocks given the significant re-rating they have enjoyed. On the internet side, LinkedIn was a poor performer given the poor execution of its new strategy, which led to the fund exiting the position before Microsoft bid for the company, which further impacted fund performance negatively. Vipshop underperformed after a profit warning in late 2015 resulted in lower projected growth rates and a de-rating. Cognizant, an IT services company, underperformed, as it was impacted by a reduction of financial services IT spend and some company-specific issues with delayed customer spending in the healthcare sector due to a couple of mega-mergers. More recently, the stock underperformed further due to the disclosure of improper payments in India and the resignation of the long-standing president.

In the internet sector (where the fund retains a large structural overweight), after the very narrow performance of Facebook, Amazon, Netflix and Google (the FANG stocks) in 2015, the fund exited its position in Netflix, and then Rightmove, NetEase and Just Eat on valuation grounds. These were replaced with new positions in Alibaba, Auto Trader and eBay. Alibaba was added given its dominant position in e-commerce, payments and the nascent cloud market in China combined with a more attractive valuation and efforts by the company to provide more disclosure. The fund took advantage of the post-Brexit vote dislocation to initiate a position in Auto Trader given its dominant position in UK online second-hand car marketing and the potential to upsell more products to dealers. eBay was attractively valued and has the potential to reaccelerate growth after a significant investment in structured data and strong growth at its ticketing platform, StubHub.

The fund focused its rational commodity holdings in Samsung and Micron, exiting SK Hynix and more recently returning to Western Digital given the improving memory outlook, as industry supply has been curtailed by major technology transitions, though demand remains solid given strong content growth in mobile and servers. Elsewhere in hardware, the fund took a position in HP after the company split in two, and added to our Apple position as the valuation became more attractive and iPhone expectations moderated. The fund initiated a new position in Cavium to increase positioning in the relatively new Cloud Infrastructure theme given the company's strong position in networking semiconductors and array of new products in large-growth markets like ARM servers. The fund also added Arista Networks as part of this theme given their strong position in cloud networking equipment and exited positions in Juniper, Ciena and F5 Networks. After the announced acquisition of NXP Semiconductor, the fund increased its position in Qualcomm.

On the software side, the fund initiated a position in ServiceNow given its strong cloud software platform and more attractive valuation. The fund exited its European telecom carrier investments as the more positive regulatory backdrop turned sour, with the blocking of consolidation in several markets.

The global macroeconomic picture remains fragile, with attempts to normalise interest rates continuing to be pushed out. Further stimulus measures are likely, but the longer-term structural reform that is needed remains elusive. The technology sector, given a demographic tailwind and its ability to continually provide customers with 'more for less', is likely to continue to gain market share. We will continue to focus on powerful secular themes within technology.

Technology companies' valuations and balance sheets relative to global equities remain attractive. Currency volatility has moderated through 2016 to the benefit of more commoditised technology. However, in this economic environment, competition and pricing pressure are likely to remain intense, especially with major deflationary secular shifts ongoing, such as enterprise spending moving to the cloud. We continue to have a preference for sectors with high barriers to entry and dominant participants, leading us to remain heavily overweight internet holdings, notably dominant franchises such as Alphabet (Google), Facebook and Amazon.

## Performance summary

	31 Oct 15- 31 Oct 16 %	31 Oct 14- 31 Oct 15 %	31 Oct 13- 31 Oct 14 %	31 Oct 12- 31 Oct 13 %	31 Oct 11- 31 Oct 12 %
Henderson Global Technology Fund	32.8	14.0	13.3	20.1	4.7
MSCI All Countries World Information Technology Index	40.6	12.0	21.1	23.0	8.1

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 as at close of business.

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

## Fund facts

### Accounting dates

30 April, 31 October

### Payment dates

31 December

### Ongoing charge figure

	2016 %	2015 %
Class A	1.75	1.75
Class I	0.85	0.85
Class Z	0.05	0.06

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

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

## Comparative tables

	Class A accumulation			Class I accumulation		
	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)
<b>Change in net assets per share</b>						
Opening net asset value per share	957.37	857.94	745.72	1,053.22	935.34	805.65
Return before operating charges*	339.63	115.53	125.94	376.29	126.45	136.96
Operating charges	(18.08)	(16.10)	(13.72)	(9.73)	(8.57)	(7.27)
Return after operating charges*	321.55	99.43	112.22	366.56	117.88	129.69
Distributions on accumulation shares	-	-	-	(1.62)	(2.06)	(1.88)
Retained distributions on accumulation shares	-	-	-	1.62	2.06	1.88
Closing net asset value per share	1,278.92	957.37	857.94	1,419.78	1,053.22	935.34
* after direct transaction costs of:	1.19	1.02	0.89	1.31	1.11	0.97
<b>Performance</b>						
Return after charges	33.59%	11.59%	15.05%	34.80%	12.60%	16.10%
<b>Other information</b>						
Closing net asset value (£000s)	210,240	210,204	225,774	372,858	267,763	235,579
Closing number of shares	16,438,905	21,956,460	26,315,641	26,261,621	25,423,345	25,186,540
Operating charges	1.75%	1.75%	1.75%	0.85%	0.85%	0.85%
Direct transaction costs	0.11%	0.12%	0.11%	0.11%	0.12%	0.11%
<b>Prices</b>						
Highest share price (pence)	1,295.00	985.00	862.80	1,437.00	1,078.00	939.40
Lowest share price (pence)	857.50	822.00	740.80	945.80	902.80	800.60

**Past performance is not a guide to future performance**

## Comparative tables

	Class Z accumulation		
	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	181.27	159.60	136.33
Return before operating charges*	65.11	21.77	23.36
Operating charges	(0.10)	(0.10)	(0.09)
Return after operating charges*	65.01	21.67	23.27
Distributions on accumulation shares	(1.85)	(1.78)	(1.53)
Retained distributions on accumulation shares	1.85	1.78	1.53
Closing net asset value per share	246.28	181.27	159.60
* after direct transaction costs of:	0.23	0.19	0.16
<b>Performance</b>			
Return after charges	35.86%	13.58%	17.07%
<b>Other information</b>			
Closing net asset value (£000s)	4	3	2
Closing number of shares	1,500	1,500	1,500
Operating charges	0.05%	0.06%	0.06%
Direct transaction costs	0.11%	0.12%	0.11%
<b>Prices</b>			
Highest share price (pence)	249.20	184.70	160.10
Lowest share price (pence)	163.10	155.10	135.50

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.

## Major holdings

as at 2016	%
Apple	8.31
Facebook	6.92
Microsoft	5.92
Alphabet 'A'	5.29
Alphabet 'C'	4.39
Visa	4.13
Samsung Electronics	3.89
Tencent Holdings	3.71
Cisco Systems	3.64
Intel	3.51

## Asset allocation

as at 2016	%
United States	76.72
China	7.43
South Korea	4.47
Singapore	2.82
Finland	1.19
United Kingdom	1.16
Israel	1.16
Netherlands	1.04
Japan	0.74
France	0.58
Germany	0.11
Other net assets	2.58
<b>Total net assets</b>	<b>100.00</b>

## Major holdings

as at 2015	%
Apple	8.34
Microsoft	6.22
Alphabet 'C'	5.31
Facebook	4.94
Alphabet 'A'	4.56
Visa	4.39
Cisco Systems	4.25
Samsung Electronics	3.37
Mastercard	3.27
Tencent Holdings	2.69

## Asset allocation

as at 2015	%
United States	73.84
South Korea	5.39
China	5.18
United Kingdom	2.18
Netherlands	1.82
Singapore	1.54
Israel	1.02
France	1.01
Germany	0.90
Taiwan	0.76
Japan	0.57
Sweden	0.56
Other net assets	5.23
<b>Total net assets</b>	<b>100.00</b>

## Report and accounts

This document is a short report of the Henderson Global Technology Fund for the year ended 31 October 2016.

Copies of the annual and half yearly long form reports of this fund are available on our website [www.henderson.com](http://www.henderson.com) or contact client services on the telephone number provided.

## Other information

The information in this report is designed to enable you to make an informed judgement on the activities of the fund during the 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  
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Member of The Investment Association  
(formerly Investment Management 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  
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## Risk warning

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

### Depository

National Westminster Bank Plc  
135 Bishopsgate  
London  
EC2M 3UR

### Auditor

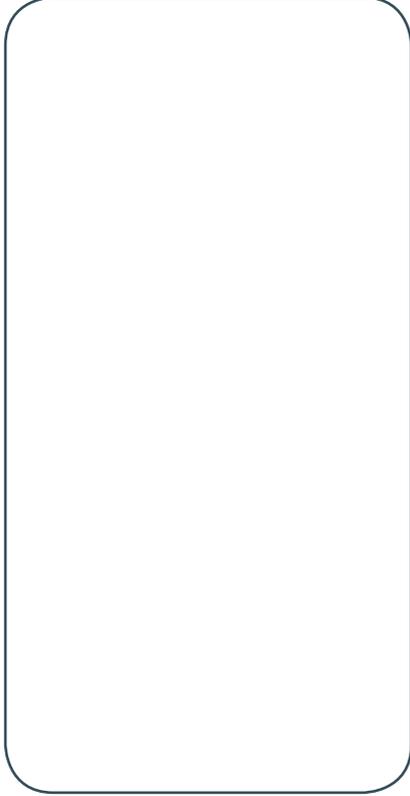
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## Changes of address - regulatory requirements

FCA regulation requires us to send this report mailing to the address held on file on the accounting date of 31 October 2016. If you have confirmed a change of address with us since that date we will ensure all future correspondence will be sent to your new address.

## Online valuations

You can value your Henderson Global Technology Fund at any time by logging on to [www.henderson.com](http://www.henderson.com). Select 'Personal Investor' and then access 'Valuations' from the Tools Menu. Simply select the fund you hold and enter the appropriate number of shares.

## Any questions ?

Further information about the activities and performance of the fund for this and previous periods can be obtained from the Investment Manager. If you have any questions please call our Client Services Team on 0800 832 832 or email [support@henderson.com](mailto:support@henderson.com).

## Important Information

Henderson Global Investors is the name under which Henderson Global Investors Limited (reg. no. 906355), Henderson Fund Management Limited (reg. no. 2607112), 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 at 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. Ref: 34V

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

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