



ANNUAL SHORT REPORT

For the year ended
31 October 2016

Henderson
GLOBAL INVESTORS

Henderson Institutional Overseas Bond Fund

Henderson Institutional Overseas Bond Fund

Short Report

For the year ended 31 October 2016

Investment Fund Managers

Andrew Mulliner and James McAlevey

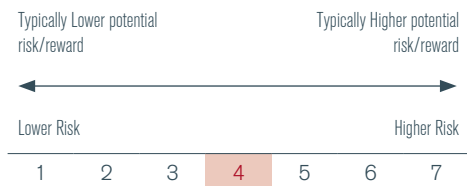
Investment objective and policy

To aim to provide a return by investing in fixed and floating rate securities in any area of the world, except the United Kingdom. The fund will invest primarily in bonds issued by Governments, public authorities and international organisations.

Risk and reward profile

The fund currently has 6 types of share class in issue; A income, I accumulation, I income, 3 gross accumulation, I gross accumulation and Z gross 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:

- 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.

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.

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.

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 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 year to 31 October saw government bond markets perform strongly. The year started out on a slightly weak note as the US Federal Reserve delivered the first interest rate hike in the US since 2006. The European Central Bank (ECB)

disappointed markets by cutting its key interest rate by only 0.1%, when larger cuts were expected. However, this weakness proved short-lived, as core government bonds began to perform very strongly as risk assets traded poorly for a variety of reasons. In Europe, there were concerns over the banking sector, whose profitability was called into question by the flattening of the yield curve. There were also some transitory concerns about the safety of a portion of the financial debt markets that proved to be unfounded. In the US, we saw mounting fears that the economic recovery was going to roll over as a result of declining profit margins and a stronger US dollar. In Japan, the Bank of Japan (BoJ) followed the lead of various central banks in Europe by cutting their policy rate into negative territory. This was a surprise move as the bank had previously indicated that they were unlikely to use negative rates. These moves had the added global tailwinds of lower oil prices and mounting fears about the Chinese economy.

After some retracement from the low yields (prices move inversely to yields) of February, the spectre of Brexit began to loom into the market's view. While the impact of this initially rose and fell along with the likelihood of Brexit predicted by each most recent poll, the reality of the vote to leave was the precursor to another period of strength in core government bonds. The year then finished on a slightly weaker note as growth in the UK, Europe and the US came in firmer than feared. This, combined with a rebound in oil prices and higher producer prices in China, saw inflation expectations strengthen globally, feeding into the weaker tone for bonds.

The fund underperformed its benchmark (the JP Morgan Global Bond Traded Ex UK Index) during the year, returning 32.8% compared with the benchmark's return of 35.9%.

We began the year with a long position in Mexican bonds versus those of the US and Canada. While Canadian bonds benefited from continued falls in the oil price, those of Mexico were impacted by broader emerging market worries and a surprise hike by the central bank. Our position in the Mexican peso performed poorly for related reasons, exacerbated by its role as the liquidity point for emerging market assets, which were coming under pressure at the time.

Our bias towards trying to avoid holding negative-yielding bonds detracted from performance during the year. An underweight to shorter-dated Japanese government bonds hurt returns as these performed strongly on the back of the BoJ's surprise move to negative rates. In Europe, we positioned for Italian government bonds to outperform those of the core. As the year progressed, this position underperformed due to the concerns mentioned above. Worries about the Brexit referendum also weighed on the periphery.

Positive performance during the year came from being long Spanish government bonds against those of Italy. The resolution of the political stalemate in Spain saw the continuation of governance by the incumbent, reformist centre-right party, while concerns grew in Italy that the government may lose a referendum on parliamentary reform, possibly stymying the outlook for reform in the country. Tactical short positions in German bunds (via options) and Australian bonds also contributed to performance during the year. A small long position in US inflation-linked bonds versus nominal bonds benefited from higher inflation over the year.

In currencies, we made money by being long the Japanese yen versus the euro, as the yen benefited from its role as a safe-haven currency, and because of its large current-account surplus. We lost money being long the Swedish krona against the euro, as the former continued to weaken due to the Riksbank's maintenance of loose monetary conditions despite very strong economic growth and firming inflation.

Going forward, we remain concerned by the political developments that are seeing populist candidates gaining power globally. As a result, we have entered a short position in French bonds versus those of Germany. We hold a long position in Japanese government bonds, as we think the BoJ may cut rates again eventually, while their policy of yield-curve control can limit any sell off. Finally, we are long 10-year bunds versus 30-year bunds as we believe they can outperform as a result of the partial unwinding of the bund scarcity premium, which is a result of eurozone liquidity measures and the ECB's reflationary policies.

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 Institutional Overseas Bond Fund	32.8	(1.2)	(2.2)	(5.1)	0.4
JP Morgan Global Bond Traded Ex UK Index	35.9	0.7	(0.8)	(3.4)	2.3

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

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 March, 30 June, 30 September, 31 December

Ongoing charge figure

	2016 %	2015 %
Class 3	0.21	0.22
Class A	1.16	1.16
Class I	0.54	0.54
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).

Comparative tables

	Class A income			Class I income		
	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)
Change in net assets per share						
Opening net asset value per share	157.49	160.16	164.34	158.46	160.83	164.71
Return before operating charges*	54.58	(0.53)	(1.49)	55.11	(0.44)	(1.26)
Operating charges	(2.10)	(1.85)	(1.84)	(1.03)	(0.86)	(0.86)
Return after operating charges*	52.48	(2.38)	(3.33)	54.00	(1.30)	(2.12)
Distributions on income shares ^	-	(0.29)	(0.85)	(0.36)	(1.07)	(1.76)
Closing net asset value per share	209.97	157.49	160.16	212.18	158.46	160.83
* after direct transaction costs of:	-	-	-	-	-	-
Performance						
Return after charges	33.32%	(1.49%)	(2.03%)	34.13%	(0.81%)	(1.29%)
Other information						
Closing net asset value (£000s)	1,278	1,367	1,954	1,889	179	50
Closing number of shares	608,804	867,967	1,220,215	890,155	112,667	31,191
Operating charges	1.16%	1.16%	1.16%	0.54%	0.54%	0.54%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices						
Highest share price (pence)	212.20	167.00	165.10	214.30	167.90	165.40
Lowest share price (pence)	156.90	152.00	155.60	157.80	152.80	156.50

Comparative tables

	Class 1 accumulation			Class 3 gross 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)
Change in net assets per share						
Opening net asset value per share	209.60	211.30	214.40	93.62	94.10	95.14
Return before operating charges*	72.87	(0.28)	(1.51)	32.50	(0.27)	(0.84)
Operating charges	(1.32)	(1.14)	(1.13)	(0.20)	(0.21)	(0.20)
Return after operating charges*	71.55	(1.42)	(2.64)	32.30	(0.48)	(1.04)
Distributions on accumulation shares [^]	(0.47)	(1.41)	(2.30)	-	(0.87)	(1.37)
Retained distributions on accumulation shares	0.38	1.13	1.84	-	0.87	1.37
Closing net asset value per share	281.06	209.60	211.30	125.92	93.62	94.10
* after direct transaction costs of:	-	-	-	-	-	-
Performance						
Return after charges	34.09%	(0.80%)	(1.23%)	34.50%	(0.51%)	(1.09%)
Other information						
Closing net asset value (£000s)	3	2	2	2	4,480	4,703
Closing number of shares	1,000	1,000	1,000	1,509	4,784,752	4,998,342
Operating charges	0.54%	0.54%	0.54%	0.21%	0.22%	0.22%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices						
Highest share price (pence)	283.90	221.20	216.00	127.30	98.61	96.09
Lowest share price (pence)	208.80	201.60	204.10	93.25	89.89	90.32

Comparative tables

	Class I gross accumulation			Class Z gross 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)
Change in net assets per share						
Opening net asset value per share	219.83	221.67	224.86	168.57	169.13	170.70
Return before operating charges*	69.29	(0.64)	(2.01)	58.90	(0.49)	(1.50)
Operating charges	(1.36)	(1.20)	(1.18)	(0.08)	(0.07)	(0.07)
Return after operating charges*	67.93	(1.84)	(3.19)	58.82	(0.56)	(1.57)
Distributions on accumulation shares	(0.49)	(1.45)	(2.52)	(1.09)	(1.84)	(2.75)
Retained distributions on accumulation shares	0.49	1.45	2.52	1.09	1.84	2.75
Closing net asset value per share	287.76	219.83	221.67	227.39	168.57	169.13
* after direct transaction costs of:	-	-	-	-	-	-

Performance

Return after charges	30.90%	(0.83%)	(1.42%)	34.89%	(0.33%)	(0.92%)
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Other information

Closing net asset value (£000s)	7	26,974	27,074	249,570	162,931	173,622
Closing number of shares	2,434	12,270,329	12,213,886	109,753,160	96,655,610	102,657,553
Operating charges	0.54%	0.54%	0.54%	0.04%	0.04%	0.04%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	298.10	232.00	226.40	229.70	177.40	172.70
Lowest share price (pence)	218.90	211.30	213.40	167.90	161.70	162.10

^ Distributions are shown gross of tax.

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.

Past performance is not a guide to future performance

Major holdings	
as at 2016	%
Japan (Government of) (10 Year Issue) 1.2% 20/12/2020	6.25
Japan (Government of) 0.2% 20/09/2019	6.17
US Treasury 1.625% 31/03/2019	6.02
US Treasury 1.375% 29/02/2020	5.29
US Treasury 4.625% 15/11/2016	5.17
US Treasury 0.75% 28/02/2018	4.85
Japan (Government of) (20 Year Issue) 1.7% 20/03/2032	4.32
Japan (Government of) 0.3% 20/12/2024	3.64
US Treasury 2% 15/02/2025	3.16
Japan (Government of) (30 Year Issue) 1.5% 20/12/2044	2.56

Asset allocation	
as at 2016	%
United States	38.31
Japan	27.30
Italy	5.74
France	5.57
Spain	5.14
Germany	4.52
Belgium	1.81
Canada	1.29
Netherlands	1.05
Denmark	0.96
Sweden	0.92
Derivatives	(0.01)
Other net assets	7.40
Total net assets	100.00

Major holdings	
as at 2015	%
Italy (Republic of) 2.35% 15/09/2019	11.97
US Treasury 4.5% 15/02/2016	10.38
US Treasury 4.625% 15/11/2016	5.49
US Treasury 0.75% 28/02/2018	4.93
US Treasury 2.5% 15/02/2024	4.78
Mexico Bonos Desarr 10% 05/12/2024	4.62
Japan (Government of) (10 Year Issue) 0.6% 20/06/2024	3.88
Italy Buoni Poliennali Del Tesoro 3.75% 01/09/2024	3.67
US Treasury 3.75% 15/11/2018	3.50
Japan (Government of) 2.1% 20/12/2030	3.19

Asset allocation	
as at 2015	%
United States	33.86
Italy	23.39
Japan	12.31
France	5.53
Mexico	4.62
Spain	3.53
Belgium	2.11
Netherlands	0.97
Denmark	0.76
Sweden	0.73
Canada	0.56
Derivatives	(0.19)
Other net assets	11.82
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson Institutional Overseas Bond Fund for the year ended 31 October 2016.

Copies of the annual and half yearly long form report and financial statements of this fund are available on our website 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
London
EC2M 3AE
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
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

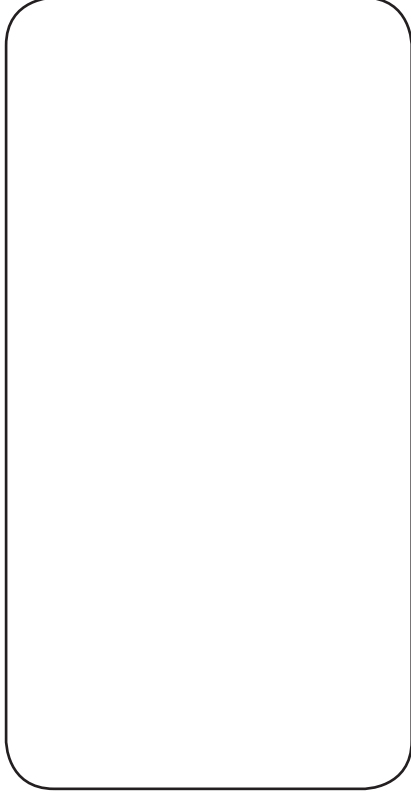
National Westminster Bank Plc
135 Bishopsgate
London
EC2M 3UR

Auditor

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Contact us
Client Services 0800 832 832
www.henderson.com

**Head Office address:
201 Bishopsgate, London EC2M 3AE**



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 Institutional Overseas Bond Fund at any time by logging on to 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.

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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