



# INTERIM SHORT REPORT

For the six months ended  
31 December 2016

**Henderson**  
GLOBAL INVESTORS

**Henderson European Smaller Companies Fund**

# Henderson European Smaller Companies Fund

## Short Report

For the six months ended 31 December 2016

### 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 lowest category does not mean risk free.

The fund's risk level reflects the following:

- As a category, smaller companies are more volatile than larger.
- The fund focuses on a single region.

- 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 period.

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

### Investment review

There was no shortage of political events in the second half of 2016, with an Austrian election re-run, US presidential election and Italian referendum. Although the latter two resulted in what consensus viewed as the worst outcomes, markets soon moved on, deciding instead to focus on developments within the global economy, which looked encouraging. While many of Trump's proposed policies may lead to great uncertainty around foreign policy, protectionism and Republican Party unity, he looks likely to enact tax cuts and infrastructure spending in the early days of his presidency. In a world where markets had seemingly become certain of deflation (with many core government

bonds yielding below 0%) fiscal expansion of this scale changes the outlook considerably. This should benefit equities over bonds (provided the bond market stays orderly) and 'value' equities over 'quality growth' stocks.

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 re-rate (undergone a reassessment by the market) to far beyond what we would deem reasonable value. Instead, we have sought attractively valued shares in the more cyclical end of the market.

The winners in the period included Gaztransport & Technigaz, an unloved company that licenses the technology for membranes used in the transportation of liquefied natural gas. The company announced that it had won some new orders. Banks also performed well, having struggled in the first half of 2016 through a combination of negative interest rates and capital shortfalls. Investors have been encouraged by policy setters around the world talking about a shift toward fiscal expansion rather than traditional quantitative easing (central bank stimulus measures). This has increased inflation expectations and steepened the yield curve, which should lead to much better profitability. Our main holding in this space was Van Lanschot, a Dutch bank shifting toward pure wealth management; we also had significant holdings in Aareal Bank in Germany and BPER in Italy. The main detractors from performance were IFG Group, Heijmans and Eitel.

In terms of activity, we sold GFK after its 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 have now cut our losses and moved on. We added two high technology companies during the period. These were IBA, which manufactures particle accelerators used in targeted radiation therapy for cancer (especially those of the eye and brain), and Va-Q-Tec, through its initial public offering. The company is the leading premium player in the niche market of vacuum insulation solutions used in many industries, including temperature-sensitive transportation.

The portfolio remains biased toward the more cyclical and reflationary sectors. While markets, led by value, have moved a long way in a short space of time, the momentum in the global economy looks good. Donald Trump's policies are controversial but clearly aimed at raising inflation, and 2017 will be a transitional year for China's government - ahead of his second five-year term, President Xi Jinping will want to demonstrate willingness to support the economy. In Europe, politics remain fraught, but purchasing managers' indices are showing good improvement. Ultimately, we remain optimistic that earnings per share growth in European small caps will be superior to most asset classes in the world.

## Performance summary

Cumulative performance	Six months	One year	Five years	Since launch
	30 Jun 16-31 Dec 16	31 Dec 15-31 Dec 16	31 Dec 11-31 Dec 16	31 Jan 85-31 Dec 16
	%	%	%	%
Henderson European Smaller Companies Fund	21.4	25.8	130.7	3,396.0
Euromoney Smaller Europe (ex UK) Index	16.9	23.3	128.0	-*

## Discrete performance

	31 Dec 15-31 Dec 16	31 Dec 14-31 Dec 15	31 Dec 13-31 Dec 14	31 Dec 12-31 Dec 13	31 Dec 11-31 Dec 12
	%	%	%	%	%
Henderson European Smaller Companies Fund	25.8	20.8	(4.0)	35.0	17.3

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.

\* Benchmark return is not quoted as the fund inception date is earlier than the benchmark inception date.

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.

## Summary of fund performance

Share class	Net asset value*	Net asset value*	Net asset value
	31/12/16	30/06/16	% change
	p	p	
Class A accumulation	1,741.03	1,450.34	20.04
Class I accumulation	1,928.70	1,599.77	20.56

\*The net asset value is calculated as at close of business on the last business day of the accounting period. The investments are valued at fair value which is generally deemed to be the bid market price.

## Fund facts

### Accounting dates

31 December, 30 June

### Payment dates

31 August

### Ongoing charge figure

	31/12/16	30/06/16
	%	%
Class A	1.72	1.72
Class I	0.86	0.87

The 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).

## Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
<b>Class A accumulation</b>			
2012	5.87	910.50	760.90
2013	1.33	1,202.00	900.30
2014	0.05	1,323.00	1,020.00
2015	-	1,392.00	1,146.00
2016	6.74	1,755.00 +	1,228.00+
<b>Class I accumulation</b>			
2012	12.24	968.30	808.20
2013	10.51	1,298.00	963.60
2014	15.03	1,434.00	1,109.00
2015	15.61	1,528.00	1,248.00
2016	23.32	1,940.00 +	1,350.00+

+ to 31 December

Major holdings	
as at 31/12/16	%
Van Lanschot	2.30
Interroll	2.00
OC Oerlikon	1.94
Verkkokauppa.com	1.93
Aareal Bank	1.86
Lenzing	1.81
FinecoBank	1.76
EVS Broadcast Equipment	1.64
Origin Enterprises	1.61
Gaztransport et Technigaz	1.60

Asset allocation	
as at 31/12/16	%
Industrials	29.22
Consumer Services	19.37
Financials	15.31
Technology	10.12
Consumer Goods	9.84
Basic Materials	5.96
Oil & Gas	4.85
Health Care	1.96
Telecommunications	1.22
Other net assets	2.15
<b>Total net assets</b>	<b>100.00</b>

Major holdings	
as at 30/06/16	%
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 30/06/16	%
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
<b>Total net assets</b>	<b>100.00</b>

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

## Report and accounts

This document is a short report of the Henderson European Smaller Companies Fund for the six months ended 31 December 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](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 period it covers and the results of those activities at the end of the period.

### 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 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.

# Contact us

Client Services 0800 832 832

[www.henderson.com](http://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 December 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 European Smaller Companies 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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