

Henderson

European Smaller Companies

Fund

Short Report

For the year ended 30 June 2012

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Fund Manager

Simon Savill

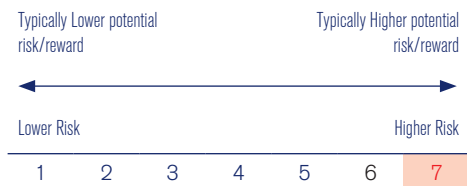
Investment objective and policy

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 share classes in issue:

A accumulation and I accumulation. Each share class has the same risk and reward profile which is as follows:



The value of an investment in the Fund can go up and down. When you sell your shares, they may be worth less than what 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 Fund's risk level reflects the following:

- As a category, smaller companies are more volatile than larger companies.
- 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 which could amplify everyday risk and trigger other risks such as:

Counterparty risk The Fund could lose money if an entity with which it interacts becomes unwilling or unable to meet its obligations to the Fund.

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.

Manager's commentary

In the twelve months to 30 June 2012 the Fund performed ahead of its benchmark.

Positive contributors to performance included Wirecard, the German online payment services provider, Transmode, the Swedish telecom network components company, Schuler, the German metal forming equipment producer which was taken over and Sartorius, the German engineering and life sciences equipment business. We also had good performances from Cenit, the German specialist IT company, Gerresheimer, the German packaging producer for the life sciences industry and Andritz, the Austrian process engineering group.

Negative contributors included IFG, the Irish specialty financial services company, which saw its acquisition process halted, Rentabiliweb, the French internet services company, which has found the competitive environment very tough and Powerland, the German-listed leather goods producer, which has suffered from a lack of interest by investors. Other holdings that weakened were Lectra, the French computer aided design and computer aided manufacturing systems producer, Cargotec, the Finnish materials handling equipment producer, which has suffered from a weak environment and some organisational difficulties, and finally Heijmans, the Dutch construction group which is struggling with a very difficult environment.

Among the new holdings over the year were Aixtron,

the German producer of semiconductor equipment, which has a strong market position, and Plastic Omnium, the French plastic components producer, which we believe is undervalued particularly given the underlying cash flow generation of the business. We also added a new holding in Faiveley, the French producer of systems and equipment for trains and trams; Faiveley has significant market positions globally in a growing industry given the trend towards urbanisation. A position in Nemetschek, the German producer of software for the building industry was also initiated. We believe the stock is undervalued given its growth prospects.

Another new holding was DKSH. This Swiss-headquartered company has a long history of providing distribution services to its customers in a number of Asian markets, particularly Thailand. We believe the prospects for long-term growth are strong.

We completely sold out of a number of positions. These included Statoil Fuel and Retail, the Nordic petrol station operator, Vetropack, the Swiss glass packaging producer, Wavin, the Dutch producer of plastic piping and Emak, the Italian producer of equipment for maintaining green spaces. We also exited from Tesmec, the Italian producer of specialist equipment for infrastructure construction.

Discrete annual performance

	1 Jul 11- 30 Jun 12 %	1 Jul 10- 30 Jun 11 %	1 Jul 09- 30 Jun 10 %	1 Jul 08- 30 Jun 09 %	1 Jul 07- 30 Jun 08 %
Henderson European Smaller Companies Fund	(23.7)	48.4	29.3	(32.5)	(21.9)
HSBC Smaller Europe (ex UK) Index	(26.3)	34.4	22.7	(19.2)	(18.4)

Source : Morningstar - mid to mid (excluding initial charges) with net revenue reinvested for a basic rate taxpayer.

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.

Summary of Fund performance

Share class	Net asset value* 2012 p	Net asset value* 2011 p	Net asset value % change
Class A accumulation	810.87	1052.96	(22.99)
Class I accumulation	863.91	1114.27	(22.47)

*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

30 June, 31 December

Payment dates

31 August

Total expense ratio

	2012	2011
	%	%
Class A	1.76	1.76
Class I	1.08	1.08

The total expense ratio (TER) of the Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.

Ongoing charge figure*

	2012
	%
Class A	1.77
Class I	1.09

The 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 OCF replaces the TER. It is calculated in accordance with guidelines issued by the Committee of European Securities Regulators with the aim of ensuring a harmonised approach to the calculation of the OCF by all UCITS.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class X accumulation			
2007	-	1,051.00	826.60
2008	14.20	913.70	448.30
2009	3.24	762.70	391.70
2010**	-	787.30	747.60
Class A accumulation			
2007	3.77	1,087.40	853.90
2008	3.89	946.70	465.50
2009	6.29	795.90	407.50
2010	-	983.40	700.20
2011	0.96	1,079.30	713.20
2012	5.87*	910.50+	757.60+
Class I accumulation			
2007	5.70	1,125.10	881.30
2008	9.57	983.70	484.80
2009	9.63	832.70	425.10
2010	1.62	1,036.90	735.80
2011	7.75	1,141.00	776.20
2012	12.24*	968.30+	804.50+

* to 31 August

+ to 30 June

** X share class merged with A share class on 11 January 2010

Past performance is not a guide to future performance.

Net revenue distribution

	2012	2011
Share class	p	p
Class A accumulation	5.87	0.96
Class I accumulation	12.24	7.75

Total dividend distribution for the year ended 30 June 2012, comparison is for the same period last year.

Major holdings

as at 2012	%
Fugro	3.00
Gerresheimer	2.95
IFG	2.95
Wirecard	2.74
Axel Springer	2.64
Andritz	2.63
Salvatore Ferragamo	2.59
Bilfinger Berger	2.58
Autogrill	2.55
Stratec	2.53

Asset allocation

as at 2012	%
Germany	32.96
Italy	12.95
France	11.26
Netherlands	7.82
Austria	7.81
Sweden	4.07
Switzerland	4.05
Norway	3.72
Finland	3.36
Belgium	3.25
Ireland	2.95
Spain	1.01
Net other assets	4.79
Total	100.00

Major holdings

as at 2011	%
IFG	3.68
Lectra Systems	2.67
Gerresheimer	2.57
Wirecard	2.30
Schmolz + Bickenbach	2.21
Andritz	2.13
Isra Vision	2.09
EVS Broadcast Equipment	2.05
Nederman	1.99
Astaldi	1.85

Asset allocation

as at 2011	%
Germany	29.27
France	12.65
Italy	11.83
Netherlands	7.87
Austria	6.74
Switzerland	5.64
Norway	5.20
Sweden	4.84
Ireland	3.68
Belgium	3.79
Finland	3.01
Spain	1.23
Net other assets	4.25
Total	100.00

Report and accounts

This document is a short report of the Henderson European Smaller Companies Fund for the year ended 30 June 2012.

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

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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

The Royal Bank of Scotland Plc
The Broadstone
50 South Gyle Crescent
Edinburgh EH12 9UZ

From 1 October 2011
National Westminster Bank Plc
135 Bishopsgate
London EC2M 3UR

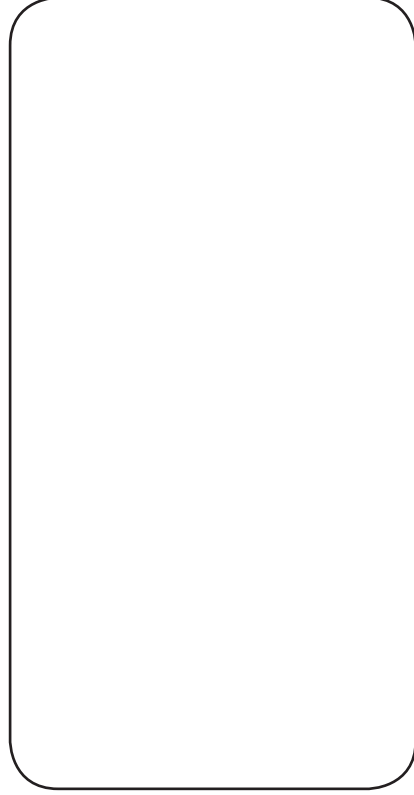
Auditor

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

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Changes of address - regulatory requirements

FSA regulation requires us to send this report mailing to the address held on file on the accounting date of 30 June 2012. 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. 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

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

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