

Henderson

European Smaller Companies

Fund

Short Report

For the six months ended 31 December 2012

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Fund Manager

Henderson Pan European Equity Team

Investment objective and policy

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

Synthetic 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

Over the period there were a number of key policy and political moves – Mario Draghi's pledge to do 'whatever it takes' to preserve the euro was soon followed by the announcement of outright monetary transactions (OMTs). The positive tone was perpetuated by a much-anticipated German constitutional court ruling on the legality of the European Stability Mechanism (ESM) and Dutch elections, which saw pro-European candidates prevail over eurosceptic parties. Later in the period the latest aid deal for Greece and the results of the US election emerged – both adding to the markets positive tone.

The improved sentiment saw those areas of the market that have been unloved in recent years produce the strongest gains. Peripheral financial companies in particular performed strongly – the Fund's lack of exposure to this area was to the detriment of relative returns over the six months. Also contributing negatively was Dutch company Fugro, which processes geological data for the oil services industry. Shareholders were disappointed to hear that cash generated from a recent divestment was not being distributed to shareholders and was instead to be used on capital expenditure (capex) and to reduce debt. At its current valuation we believe it offers an attractive investment and thus remain as shareholders. A notable positive over the period came

from Italian concessions company Autogrill. Autogrill has been strong on rumours of a spin-off of its airport duty-free business and the renewal of contracts in Spain. Other positives included United Drug, which was bought at the end of the summer. This Irish company is a strong player in pharmaceutical distribution in Ireland and the UK and is driving good growth from expanding the range of services that it offers to its customers. We believe that it offers an attractive valuation given its long-term prospects.

Activity predominantly involved the reduction in a number of micro-cap holdings where we are less confident; this list included Morpol (fish farming), Aeffe (Italian clothes retailer) and IFG (financial services). We added Strauman, Indra Sistemas, Dufry and Vizrt to the portfolio. Strauman is the global leader in implant dentistry, Indra Sistemas is a Spanish IT company with a high degree of recurring revenues, Dufry operates duty-free shops in airports and other travel ports and Vizrt combines images from its database with 3D graphics for use in broadcasting.

We are confident that European equities will make further progress in 2013, supported by the abundant liquidity provided by central banks. Valuations continue to be undemanding but investors will rightfully be looking for improvements in the real economy and growth in corporate earnings. In the short term the markets will likely pause for breath but we would expect overall market volatility to be less in the approaching years compared to the last three years.

Please note that on 17 December 2012 the Henderson Pan European Equity Team took over management of the Henderson European Smaller Companies Fund. This team includes smaller company specialists, together with more broad-based European Fund Managers who bring their knowledge of European markets and companies to help identify attractive investments from among the lower end of the market capitalisation spectrum.

Discrete annual performance

	1 Jan 12- 31 Dec 12 %	1 Jan 11- 31 Dec 11 %	1 Jan 10- 31 Dec 10 %	1 Jan 09- 31 Dec 09 %	1 Jan 08- 31 Dec 08 %
Henderson European Smaller Companies Fund	3.0	(23.0)	27.0	45.1	(41.4)
HSBC Smaller Europe (ex UK) Index	4.5	(23.8)	17.4	42.2	(33.3)

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* 31/12/12 p	Net asset value* 30/06/12 p	Net asset value % change
Class A accumulation	881.55	810.87	8.72
Class I accumulation	943.42	863.91	9.20

*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	Payment dates
30 June , 31 December	31 August

Ongoing charge figure*	31/12/12 %	30/06/12 %
Class A	1.77	1.77
Class I	0.88 [†]	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 total expense ratio (TER). It is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR) with the aim of ensuring a harmonised approach to the calculation of the OCF by all UCITS.

†From 1 August 2012, the annual management charge decreased from 1% to 0.75% and general administration charge increased from 0.06% to 0.10%. This is an estimated OCF based on these new costs.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class X accumulation			
2008	14.20	913.70	448.30
2009	3.24	762.70	391.70
2010#	-	787.30	747.60
Class A accumulation			
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+	760.90+
Class I accumulation			
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+	808.20+

+ to 31 December

** Class X merged with Class A on 11 January 2010

Past performance is not a guide to future performance.

Major holdings

as at 31/12/12	%
Autogrill	3.26
Gerresheimer	3.03
Isra Vision	2.70
MTU Aero Engines	2.69
Outotec	2.64
Axel Springer	2.47
Wirecard	2.41
Stratec	2.40
Schoeller-Bleckmann	2.38
IFG	2.35

Major holdings

as at 30/06/12	%
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 31/12/12	%
Germany	39.21
Italy	12.41
France	8.16
Netherlands	6.14
Austria	6.05
Switzerland	6.04
Ireland	3.97
Finland	3.84
Spain	3.43
Sweden	2.84
Norway	2.54
Belgium	2.29
Net other assets	3.08
Total	100.00

Asset allocation

as at 30/06/12	%
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

Report and accounts

This document is a short report of the Henderson European Smaller Companies Fund for the six months ended 31 December 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 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 IMA and authorised and regulated by the Financial Services Authority.
Registered in England No 2678531

Depositary

National Westminster Bank Plc

135 Bishopsgate
London EC2M 3UR

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.

Auditor

PricewaterhouseCoopers LLP

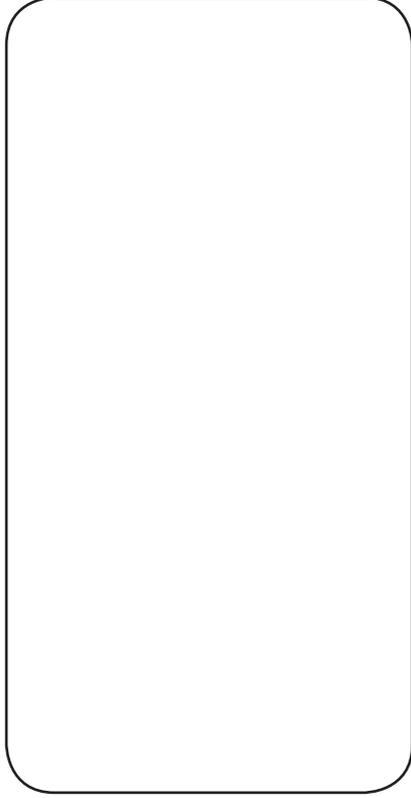
141 Bothwell Street

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

FSA regulation requires us to send this report mailing to the address held on file on the accounting date of 31 December 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

Henderson Global Investors is the name under which Henderson Global Investors Limited (reg. no. 9063555), Henderson Fund Management Limited (reg. no. 2607112), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795354), Henderson Alternative Investment Advisor 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 Services Authority to provide investment products and services. Telephone calls may be recorded and monitored.

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

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