



Henderson

Investment Funds

Series I

Annual report
For the year ended 31 May 2013

Who are **Henderson Global Investors?**

Established in 1934 to administer the estates of Alexander Henderson, the first Lord Faringdon, Henderson Global Investors (Henderson) is a leading independent global asset management firm. The company provides its institutional, retail and high net-worth clients with access to skilled investment professionals representing a broad range of asset classes, including equities, fixed income, property and private equity. With its principal place of business in London, Henderson is one of Europe's largest investment managers, with £68.8[†] billion assets under management (as at 31 March 2013) and employs around 1,000 people worldwide.

In Europe, Henderson has offices in Amsterdam, Dublin, Edinburgh, Frankfurt, Luxembourg, Madrid, Milan, Paris, Vienna, Zurich and London. Henderson has had a presence in North America since 1999, when it acquired US real estate investment manager Phoenix Realty Advisers, and has offices in Chicago and Hartford. In Asia, Henderson has offices in New Delhi, Singapore (Asia headquarters), Hong Kong, Tokyo and Beijing as well as Sydney. Henderson Group plc acquired New Star Asset Management Group PLC in April 2009 and Gartmore Group Limited in April 2011.

With investment expertise across every asset class, Henderson's skillful investment managers invest in every major market around the globe. They are supported by a global team of researchers and economists who have a keen understanding of the economic forces driving the security markets and who undertake rigorous sector and theme analysis. Underpinning this process is a comprehensive risk-control framework to ensure that investment views are translated into portfolios managed in line with investors risk and return requirements.

What do we do?

At Henderson Global Investors we do one thing and we do it really well – investment management. As a company, we are totally focused on this core activity and it underpins everything we do.

We do this by providing a range of investment products and services including:

- Open ended funds – offshore funds, unit trusts, OEICs
- Investment trusts
- Individual Savings Accounts
- Pension fund management
- Management of portfolios for UK and international institutional clients

[†] Source: Henderson Global Investors.

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Authorised Corporate Director's (ACD) report

We are pleased to present the Annual Report and Accounts for Henderson Investment Funds Series I for the year ended 31 May 2013.

Authorised status

Henderson Investment Funds Series I (the "Company") is an open ended investment company ("OEIC") with variable capital authorised, under regulation 12 (Authorisation) of the OEIC regulations, by the Financial Conduct Authority on 11 June 2002. It is a UCITS Scheme structured as an umbrella company, comprising various sub-funds. Each Fund is operated as a distinct Fund with its own portfolio of investments. The investment objective and policy, investment activities, portfolio statement and synthetic risk and reward profile for each Fund are given in the relevant section of each Fund's report. These all form part of the Authorised Corporate Director's Report. Shareholders are not liable for the debts of the company.

Other information

Since the issue of the last annual report at 31 May 2012, the Funds listed below terminated on 29 November 2012 and are no longer available for investment:

Henderson Japan Absolute Return Fund

Henderson US Opportunities Fund

On 3 June, the Fund Administrator and custodian of the Henderson Investment Funds Series I changed from HSBC Securities Services to BNP Paribas Securities Services and the Depositary changed from HSBC Bank plc to National Westminster Bank plc.

Fund liabilities

Each Fund is treated as a separate entity and is a segregated portfolio of assets and those assets can only be used to meet the liabilities of, or claims against, that Fund.

Authorised Corporate Director's (ACD) report (continued)

Advisers

	Name	Address	Regulator
Authorised Corporate Director	Henderson Investment Funds Limited Member of IMA The ultimate holding company is Henderson Group plc.	Registered Office: 201 Bishopsgate, London EC2M 3AE. Registered in England No 2678531. Telephone – 020 7818 1818 Dealing – 0845 608 8703 Enquiries – 0800 832 832	Authorised and regulated by the Financial Conduct Authority
Investment Manager	Henderson Global Investors Limited The ultimate holding company is Henderson Group plc.	201 Bishopsgate, London EC2M 3AE	Authorised and regulated by the Financial Conduct Authority
Registrar	International Financial Data Services (UK) Limited	IFDS House St Nicholas Lane Basildon, Essex SS15 5FS	Authorised and regulated by the Financial Conduct Authority
Depository	HSBC Bank plc (to 2 June 2013) National Westminster Bank plc (from 3 June 2013)	8 Canada Square, Canary Wharf, London E14 5HQ 135 Bishopsgate, London EC2M 3UR	Authorised and regulated by the Financial Conduct Authority Authorised and regulated by the Financial Conduct Authority
Independent Auditors	PricewaterhouseCoopers LLP	141 Bothwell Street, Glasgow G2 7EQ	Institute of Chartered Accountants in England and Wales
Legal Adviser	Eversheds LLP	One Wood Street, London EC2V 7WS	The Law Society

All index returns are total returns in sterling, source Thomson Reuters Datastream, 12 months to 31 May 2013, unless otherwise stated.

Political change, evolving central bank policies and economic data played a decisive role in determining global market direction throughout the review period. Central banks took decisive action with the UK, Japan, and the US engaging in further quantitative easing (QE) to stimulate economic activity, while the European Central Bank's (ECB's) outright monetary transactions (OMTs) programme removed much of the larger risks associated with the eurozone. Global equities raced ahead at the beginning of 2013, supported by a last-minute compromise deal in the US to avert the 'fiscal cliff' (automatic spending cuts and tax increases that would dampen the US recovery). However, developments in the eurozone once again provided difficult hurdles. The Italian elections resulted in a hung parliament at the end of February, with the Cypriot banking crisis overtaking Italy as the major concern in March. Nonetheless, the continuing theme of central bank largesse – including signs that more aggressive stimulus would come from Japan in April – continued to spur risk assets higher. However, 23 May marked the day when global shares fell in a volatile session, the catalyst for which occurred the previous day as the US Federal Reserve (Fed) chairman hinted at tapering their quantitative easing programme in the not too distant future. The MSCI World Index rose 30.5% in sterling over the period.

The UK economy struggled over the period with fiscal austerity and household borrowing providing a troubling backdrop while inflation remained stubbornly above the Bank of England's 2% target. In the third quarter of 2012 the UK moved out of recession with gross domestic product (GDP) growth of 0.9%, however the good news did not last as the economy contracted in the final quarter. 2013 got off to a better start as UK equities reached a five-year high in the first quarter, helped by government liquidity measures and resilient corporate earnings. Aside from some strength in the early part of the period, sterling continued to depreciate against both the dollar and euro. In the latter months of the period, citing sluggish growth and rising debt, the UK's AAA debt rating was downgraded or given a negative outlook by several credit rating agencies. The FTSE All-Share Total Return Index rose 30.1% over the period.

In Europe, the changing political landscape heightened market anxieties. The appointment in June of the pro-eurozone New Democracy party to lead a Greek coalition soothed immediate fears the country would leave the euro. Meanwhile, peripheral countries like Spain saw the yields on their government bonds rise to levels deemed to be 'unsustainable' to its ability to finance its debt. Besides the troubled 'periphery' countries, stronger 'core' countries such as France and Germany also began to struggle as their economies weakened. ECB President Mario Draghi delivered on his promise to do "whatever it takes" to preserve the euro by unveiling the OMTs, which provided a significant boost to the markets. But European equities stumbled in late February when the Italian elections produced no clear winner. This was followed by the financial insolvency of Cyprus' banks, which renewed fears for eurozone stability. A last-minute controversial bailout agreement struck at the end of March, forcing losses on some larger depositors, simply increased the uncertainty. A raft of dismal eurozone economic indicators towards the end of the period, such as the German ZEW investor confidence index falling from a three-year high, and the euro area economy contracting in Q1 by 0.2% (quarter-on-quarter) likely contributed to the ECB's 25bp rate cut in May, which left its main interest rate at a record low of 0.5%. The FTSE World Europe ex-UK Index rose 43.3% in sterling over the period.

As 2012 progressed, the pace of the US economic recovery appeared to stall. In response, the Federal Reserve (Fed) extended 'Operation Twist', a bond-buying programme designed to help keep US long-term interest rates low and therefore boost the economy. As key economic data continued to disappoint, the Fed announced a third round of QE in September. The programme largely surpassed market expectations, as neither a limit on size or time on its purchases was imposed. In November, President Obama defeated Republican challenger Mitt Romney to win re-election. This was followed by the Fed's decision to add an extra US\$45bn in Treasury purchases each month, replacing its prior 'Operation Twist' programme. At the start of 2013, the last-minute deal over the US fiscal cliff triggered a lift in equity markets around the world, helping US equities to power towards new record highs in the first quarter, despite intermittent jitters about the effects of US budget 'sequestration' (across-the-board spending cuts). US macroeconomic data remained largely encouraging including upbeat housing, manufacturing and employment releases. Positive data releases at the end of the period included inflation, which fell to a two-year low in April, and consumer confidence, which rose to a five-year high in May. The better data likely prompted the Fed to begin a debate on when to wind down their bond-buying programme. The remarks by the Fed chairman on 22 May, interpreted as an early end to quantitative easing and rise in interest rates simultaneously, induced severe volatility in asset prices with equities falling sharply around the globe. US Treasury yields began another ascent, with the 10-year benchmark yield rising above 2%, the highest in over a year, as bond prices fell in anticipation of higher interest rates. The S&P 500 Index rose 29.2% in sterling over the period.

Market review (continued)

Chinese economic growth continued to moderate during the period and the new Standing Committee of the Politburo was officially unveiled in November. The economy expanded by 7.8% in 2012, indicating stable rather than rapid growth of previous years. As China is losing some competitiveness due to rapid wage growth and skills shortages, the authorities started to make efforts to lessen the economy's heavy reliance on exports and refocus on local consumption. Data releases towards the end of the period revealed slower economic growth in Q1 2013 of 7.7% (year-on-year), and weakness in the manufacturing sector as the official purchasing managers' index (PMI) fell from an eleven-month high.

In Japan, a strong yen, weak domestic growth and deflation weighed on the market. In response, the Bank of Japan extended its asset purchase programme on several occasions during the year. December's general election resulted in a landslide win for the Liberal Democratic Party-led coalition under Shinzo Abe. In late January, the Bank of Japan adopted a 2% inflation target and introduced an 'open-ended' asset purchase plan in an attempt to fight deflation, which led to a fall in the yen and a rally in the Nikkei. In April, the new governor of Bank of Japan announced radical monetary stimulus measures promising to double the asset purchase programme by the end of 2014, and to meet the 2% inflation target. Since the start of 2013, Japan has been the standout performer among the major markets, benefiting from the policies promised by the new Liberal Democratic Party; Japan's economy grew a robust 3.5% annualised in the first quarter of 2013, while consumer confidence improved four months in a row by the end of the period. The MSCI China Index rose 14.1% in sterling and the FTSE World Asia Pacific ex-Japan Index gained 23.3% in sterling over the period while the FTSE Japan Index rose 28.2% in sterling.

Looking into the future, politics and other non-financial macroeconomic events will remain a source of volatility for risk assets, particularly in Europe, where the outlook for economic data remains weak and we expect that over the longer term some restructuring of either government debt or bank debt is still a possibility. Meanwhile in the US, the recovery does seem to be broadening although this may bring with it a 'good news is bad news' scenario, with further signs of economic growth bringing the US Fed closer to 'tapering' their quantitative easing programme – a move that would be negative for risk assets.

It is worth noting, however, that the rally in global equities since last summer has been driven primarily by the wave of liquidity provided by central banks. This wave will not last forever. The first indications of an exit strategy from the Fed have now been revealed. As it has done since the global financial crisis began, the US central bank will set the template for its peers when it decides to withdraw stimulus and move towards re-establishing a more 'conventional' relationship with its economy. The signs are currently that a return to 'normality' is tentatively underway, and this is no bad thing if growth continues to improve steadily.

Statement of Authorised Corporate Director's responsibilities

The Financial Conduct Authority's Collective Investment Schemes Sourcebook requires the ACD to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the Company and net revenue and net (losses) on the property of the Company for the year. In preparing the financial statements the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in October 2010;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, Prospectus and the OEIC Regulations. The ACD is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Depositary's responsibilities and report of the Depositary to the shareholders of the Henderson Investment Funds Series I ("the Company") for the year ended 31 May 2013

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of income that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Scheme Sourcebook ("the Sourcebook"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) ("the OEIC Regulations") and the Company's Instrument of Incorporation and Prospectus, in relation to the pricing of, and dealings in, shares in the Company; the application of income of the Company; and the investment and borrowing powers of the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Sourcebook and, where applicable, the OEIC Regulations, the instrument of incorporation and Prospectus of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

HSBC Bank plc
London
25 July 2013

Independent Auditors' report to the shareholders of Henderson Investment Funds Series I

for the year ended 31 May 2013

We have audited the financial statements of Henderson Investment Funds Series I (the "Company") for the year ended 31 May 2013 which comprise the aggregated statement of total return, the aggregated statement of change in net assets attributable to shareholders, the aggregated balance sheet and related notes and for each of the Company's sub-funds, the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, the related notes and the distribution tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of the Director and Auditors

As explained more fully in the Authorised Corporate Director's Responsibilities Statement the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds at 31 May 2013 and of the net revenue/ (expense) and the net gains of the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' report to the shareholders of Henderson Investment Funds Series I

(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Glasgow
25 July 2013

Notes:

- (a) The maintenance and integrity of the Henderson Global Investors website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Aggregated statement of total return for the year ended 31 May 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Income					
Net capital gains/(losses)	4		803,882		(558,263)
Revenue	6	79,868		86,853	
Expenses	7	(54,689)		(55,213)	
Finance costs: Interest	9	(50)		(24)	
Net revenue before taxation		25,129		31,616	
Taxation	8	(5,947)		(8,002)	
Net revenue after taxation			19,182		23,614
Total return before distributions			823,064		(534,649)
Finance costs: Distributions	9		(23,706)		(25,259)
Changes in net assets attributable to shareholders from investment activities			799,358		(559,908)

Aggregated statement of change in net assets attributable to shareholders

for the year ended 31 May 2013

	2013		2012	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		2,979,803**		3,893,736
Amounts receivable on issue of shares	195,747		470,814	
Amounts receivable from US Opportunities merger	–		122,418	
Amounts payable on merger cancellation*	–		(122,425)	
Amounts payable on cancellation of shares	(860,186)		(846,711)	
Amounts payable on in specie cancellation of shares	(59,951)		–	
		(724,390)		(375,904)
Stamp duty reserve tax		(33)		(53)
Change in net assets attributable to shareholders from investment activities (see above)		799,358		(559,908)
Retained distributions on accumulation shares		22,162		24,721
Closing net assets attributable to shareholders		3,076,900		2,982,592

* Details of mergers can be found in the financial statements of each Fund.

** The opening net assets attributable to shareholders differs from the closing net assets of the previous year as the movements relating to funds terminated during the year to 31 May 2013 have been excluded from the current year figures (Henderson Japan Absolute Return: £2,789,117). Please see note 1(k) in the Aggregated Statements for further details.

Aggregated balance sheet as at 31 May 2013

		2013		2012	
	Notes	£000	£000	£000	£000
Assets					
Investment assets			2,962,375		2,707,558
Debtors	10	71,653		41,659	
Cash and bank balances	11	143,659		322,752	
Total other assets			<u>215,312</u>		<u>364,411</u>
Total assets			3,177,687		3,071,969
Liabilities					
Investment liabilities			(3,861)		(9,053)
Creditors	12	(76,930)		(65,622)	
Bank overdrafts		(19,408)		(14,475)	
Distribution payable on income shares		<u>(588)</u>		<u>(227)</u>	
Total other liabilities			<u>(96,926)</u>		<u>(80,324)</u>
Total liabilities			(100,787)		(89,377)
Net assets attributable to shareholders			<u>3,076,900</u>		<u>2,982,592</u>

Certification of financial statements by Directors of the ACD

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes Sourcebook, we hereby certify the investment report and financial statements on behalf of the Directors of Henderson Investment Funds Limited.



Lesley Cairney
(Director)

25 July 2013

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) issued by the Investment Management Association (IMA) in October 2010.

(b) Basis of valuation of investments

The valuation of the Company's listed investments, for the purposes of preparing this report, has been based at market value, at the close of business valuation point of the last day of the accounting period in accordance with the provisions of the Prospectus.

Market value is defined by the SORP as fair value which is generally the bid value of each stock.

Investments in Collective Investment Schemes (CIS) have been valued at bid prices, adjusted to take account of the discounts available to the Authorised Corporate Director (ACD) from the charges on the underlying portfolio. For those CIS funds that are not dual priced, single prices are used.

Contracts for Difference are valued based on the price of the underlying equity to which they refer. This valuation is based at market value, and is ratified by the Authorised Corporate Director (ACD) at regular intervals.

Forward foreign exchange contracts are valued based on the movements between the contracted forward currency exchange rate and the closing market forward currency exchange rate at 31 May 2013.

Future contracts are shown at market value representing the gain or loss that would be made on the contract if it were to be closed out at 31 May 2013.

Suspended, delisted and unquoted securities are shown at a valuation determined by the ACD based upon, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

Options contracts are shown in the Portfolio Statement at fair value.

(c) Revenue recognition

Dividends receivable from quoted equity and non equity shares are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend. Dividends on unquoted stocks are credited to revenue when the dividend is announced.

Distributions from Collective Investment Schemes are recognised as revenue and included in the amount available for distribution.

Overseas dividends are grossed up at the appropriate rate of withholding tax and these consequences are shown within the tax charge.

Interest on debt securities has been accounted for on an effective yield basis. Effective yield is a calculation that reflects the amount of amortisation of any discount or premium on the purchase price over the remaining life of the security.

Management fee rebates received from the managers of Collective Investment Schemes are recognised on an accruals basis, and will be either capital or income depending on the nature of the underlying Fund's fee structure.

Bank interest, interest on margin and revenue earned on other securities is recognised on an accruals basis.

Income distributions from Real Estate Investment Trusts (UK REITs) will be split into two parts, a Property Income Distribution (PID) made up of rental revenue and a non-PID element, consisting of non-rental revenue. The PID element is subject to Corporation Tax, while the UK dividend will be treated as franked revenue.

Underwriting commission is taken to revenue and recognised when the issue takes place, except where the Fund is required to take up all or some of the shares underwritten in which case an appropriate proportion of the commission is deducted from the cost of the relevant shares.

Aggregated notes to the financial statements (continued)

1 Accounting policies (continued)

(c) Revenue recognition (continued)

Dividend equivalent values on CFDs are recognised when the securities are quoted ex-dividend and are included in revenue as 'Income from derivative contracts' as the net of dividends received/(paid) on long/(short) positions.

Income can be earned or paid on the financing costs and/or the interest on any realised profit/loss of Contracts for Difference. This is accounted for net of short and long positions in Income under Revenue from derivative contracts.

If any revenue receivable at the balance sheet date is not considered recoverable, provision is made for the relevant amount.

(d) Treatment of stock dividends

The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Company. Any enhancement above the cash dividend is treated as capital and included in net capital gains in note 4.

(e) Treatment of special dividends

Special dividends are treated as capital or revenue depending on the nature and circumstances of the dividend receivable.

(f) Stock lending income

Revenue from stock lending is accounted for net of bank and agent fees and is recognised on an accruals basis.

(g) Treatment of expenses (including ACD expenses)

All expenses (other than those relating to the purchase and sales of investments and stamp duty reserve tax arising on sales and repurchase of shares in the fund) are charged against revenue on an accruals basis.

The ACD's periodic charge is calculated daily on the total net assets by Henderson Investment Funds Limited.

General Administration Charge

All fees with the exception of the ACD's periodic charge, Depositary fee, Safe Custody fees, certain legal and professional fees and dividend collection charges are included within a single ad valorem charge, the General Administration Charge (GAC). The ACD believes that the GAC creates more efficiency around the charging process than more traditional methods.

For further details please refer to the Prospectus.

Performance Fee

European Absolute Return and UK Absolute Return sub-funds may pay a performance related fee. The European Absolute Return Performance Fee will be 20% of the outperformance of the current day Net Asset Value (NAV) relative to the prior day NAV subject to the high watermark. On UK Absolute Return the Performance Fee will be 20% of the outperformance of the current day NAV relative to the prior day NAV plus the Hurdle rate, based on the last published Bank of England Base rate, subject to the high watermark. The current day NAV is the published NAV less the performance fee accrual. Full details can be found in the Prospectus. Details of amounts paid can be seen in Note 7.

(h) Allocation of revenue and expenses to multiple share classes

With the exception of the ACD's periodic charge and GAC, which are directly attributable to individual share classes, all revenue and expenses are allocated to share classes pro rata to the value of the net assets of the relevant share class on the day that the revenue or expense is incurred.

Aggregated notes to the financial statements (continued)

1 Accounting policies (continued)

(i) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at close of business on the last business day of the accounting period.

Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions.

Exchange differences on such transactions follow the same treatment as the principal amounts.

(j) Taxation

Provision for corporation tax is based, as appropriate, on the excess of taxable revenue over allowable expenses.

Deferred tax is provided for at a rate which taxation is likely to become payable in respect of all timing differences that have originated but not reversed by the balance sheet date other than those differences regarded as permanent. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets are only recognised to the extent that they are regarded as recoverable. Deferred tax assets are not discounted to reflect the time value of money.

Stamp Duty Reserve Tax, if any, suffered on surrender of shares is deducted from capital.

(k) Aggregation

During the year the following Funds terminated on the 29 November 2012: Henderson Japan Absolute Return Fund and Henderson US Opportunities Fund. These Funds have been excluded from the long report of the ongoing umbrella company for the current accounting year. The aggregation for the accounting year does not include amounts for the final period of account of the terminated funds. The comparative figures for the aggregation have not been adjusted.

The aggregated accounts represent the sum of continuing Funds within the umbrella company.

(l) Treatment of derivatives

Forward currency contracts

Open forward currency contracts are shown in the Portfolio Statement at fair value and the net gains/(losses) are reflected in the net capital gains/(losses) in note 4.

Future contracts

The unrealised gain/(loss) on open future contracts is disclosed in the portfolio statement. The margins paid on these contracts are included in the amounts held at derivative clearing houses and brokers.

Contracts for Difference

The unrealised gain/(loss) on open Contracts for Difference is disclosed in the portfolio statement. Any margins to be paid or received on these contracts are included in the amounts held at derivative clearing houses and brokers. Any income received on these contracts is treated as revenue for the purposes of calculating the distribution.

Options contracts

The net gains/(losses) are reflected in the net capital gains/(losses) in note 4.

Aggregated notes to the financial statements (continued)

2 Distribution policy

The distribution policy of each Fund is to distribute/accumulate all available revenue, after deduction of expenses properly chargeable against revenue, subject to performance fees on Henderson European Absolute Return and Henderson UK Absolute Return Funds which are transferred to capital.

Gains and losses on investments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

Stock dividends are not taken into account when determining the amount available for distribution.

Revenue attributed to accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of revenue.

If one share class is in profit and another share class in deficit, the share class in deficit will transfer a portion of its ACD fees to capital in order to allow the profit making share class to make a distribution.

For all the Funds, the policy of the Company is to make dividend distributions on a half yearly basis with an interim and final distribution being made for each financial year.

The ACD reserves the right not to make interim distributions from low yielding sub-funds.

Equalisation

Income equalisation currently applies to all Funds.

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It differs from equalisation on creations/cancellations as the amount of revenue included in the purchase price of group 2 shares is averaged over the distribution period and refunded to the holders of these shares as a return of capital, this itself is not taxable in the hands of the shareholders but must be deducted by them from the price of the shares for the purpose of calculating any liability to capital gains tax.

3 Risk

In pursuing its investment objective each Fund holds a number of financial instruments. These financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from the Funds' operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue. The Fund may also enter into derivative transactions. The purpose of these financial instruments is efficient portfolio management and for meeting the Funds' investment objectives. The main risks arising from financial instruments are market, liquidity and credit risks.

(a) Market Risk

Market risk is the risk that the value of the Funds' investments or the benefits arising thereon will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk, and other price risk.

Foreign currency risk

Foreign currency risk is the risk that the value of the Fund's investments will fluctuate as a result of changes in foreign currency exchange rates.

Where a proportion of the net assets of the Funds are denominated in currencies other than sterling, the balance sheet can be affected by movements in exchange rates. The ACD may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies.

The currency risk profile for the individual Funds is included in the notes to their financial statements.

3 Risk (continued)

(a) Market Risk (continued)

Interest rate risk

Interest rate risk is the risk that the value of the Funds' investments and revenue may fluctuate as a result of interest rate changes. The revenue of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of the Fund Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of debt securities may be affected by interest rate movements or the expectation of such movements in the future.

The majority of the Funds' financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the Funds' exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior year.

Other price risk

Other price risk is the risk that the value of the Funds' investments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Other price risk arises mainly from uncertainty about future prices of financial instruments the Funds might hold. It represents the potential loss the Funds might suffer through holding market positions in the face of price movements. The Funds' investment portfolios are exposed to market price fluctuations, which are monitored by the ACD in pursuance of their investment objectives and policies as set out in the Prospectus.

(b) Liquidity risk

Liquidity risk is the risk that the Funds cannot raise sufficient cash to meet their liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised.

Under normal circumstances, the Funds will remain close to fully invested. However, where circumstances require: for example because of illiquid securities markets or high levels of redemptions in the Funds, the Funds may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of units.

The ACD manages the Funds' cash to ensure they can meet their liabilities. The ACD receives daily reports of subscriptions and redemptions enabling the ACD to raise cash from the Funds' portfolios in order to meet redemption requests. Funds' cash balances are monitored daily by the ACD and Administrator. Where investments cannot be realised in time to meet any potential liability, the Funds may borrow up to 10% of their value to ensure settlement. All of the Funds' financial liabilities are payable on demand or in less than one year.

(c) Credit and counterparty risk

Credit risk arises from three main sources. Firstly, the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Secondly, for asset backed investments there is the possibility of default of the issuer and default in the underlying assets meaning the Funds may not receive back the full principal originally invested. Thirdly, there is settlement risk, which is the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Funds have fulfilled their responsibilities, which could result in the Funds suffering a loss.

In order to manage credit risk the Funds are subject to investment limits for issuers of securities. Issuer credit ratings are evaluated periodically and an approved issuer list is maintained and monitored. In addition the Funds only buy and sell investments through brokers which have been approved by the Manager as an acceptable counterparty and limits are set and monitored to cover the exposure to any individual broker. Changes in broker's financial ratings are periodically reviewed by the Henderson Credit Risk Committee along with set limits and new counterparty approval.

Only counterparties that have been approved by Henderson's Credit Risk Committee are used for derivatives transactions. The continuing credit worthiness of other counterparties is monitored on a daily basis.

The Funds adhere to investment guidelines and to investment and borrowing powers set out in the instrument of incorporation, the Prospectus and in the Financial Conduct Authority's Collective Investment Schemes Sourcebook. This mitigates the risk of excessive exposure to any particular type of security or issuer.

Aggregated notes to the financial statements (continued)

4 Net capital gains/(losses)

The net gains/(losses) on investments during the period comprise:

	2013	2012
	£000	£000
Capital special dividend	2	695
Derivative securities	45,948	(17,233)
Losses on forward currency contracts	(7)	(3)
Forward foreign currency contracts	(599)	(1)
Non-derivative securities	759,327	(536,148)
Other currency losses	(553)	(5,196)
Transaction costs	(236)	(377)
Net capital gains/(losses)	803,882	(558,263)

5 Portfolio transaction costs

	2013	2012
	£000	£000
Purchases in year before transaction costs	3,585,800	4,354,720
Commissions	4,345	4,983
Taxes and other transfer charges	1,985	1,229
Total purchase transaction costs*	6,330	6,212
Purchases including transaction costs	3,592,130	4,360,932
Sales in year before transaction costs	4,103,887	4,556,452
Commissions	(4,943)	(5,355)
Taxes and other transfer charges	(1,139)	(1,118)
Total sale transaction costs*	(6,082)	(6,473)
Sales net of transaction costs	4,097,805	4,549,979
Transaction handling charges*	236	377

* These amounts have been deducted in determining net capital gains/(losses).

Aggregated notes to the financial statements (continued)

6 Revenue

	2013	2012
	£000	£000
Bank interest	33	212
Deposit interest	9	1,075
Futures deposit interest	512	–
Income from contracts for difference	1,172	3,179
HMRC interest received	–	2
Interest on certificates of deposit	442	1,314
Management fee rebates	4	–
Reimbursement of litigation costs	7	–
Property income	–	8
Overseas dividends	69,652	73,283
Stock dividend	3,282	1,537
Securities lending revenue	1,219	2,017
UK dividends	3,534	4,224
Underwriting commission	2	2
Total revenue	79,868	86,853

Aggregated notes to the financial statements (continued)

7 Expenses

	2013	2012
	£000	£000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's periodic charge	42,170	47,352
Administration fee	–	585
General administration charge* (see note 1g)	6,505	6,240
Performance fee payable to ACD	5,122	8
	53,797	54,185
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	319	356
Dividend collection fee	74	22
Safe custody fee	486	556
	879	934
Other expenses:		
Audit fee	–	7
Dividend collection expenses	–	13
Legal fee	4	–
Professional fee	–	4
Professional fee payable to PWC for tax advice	9	6
Registrars fee	–	2
Report & Accounts fee	–	62
	13	94
Total expenses	54,689	55,213

* The current year audit fee is £104,670 (2012: £123,210). The audit fee levied through the GAC charge is £104,670 (2012: £99,585).

Aggregated notes to the financial statements (continued)

8 Taxation

(a) Analysis of charge in year

The tax charge comprises:

	2013	2012
	£000	£000
Adjustment in respect of prior periods	296	199
Irrecoverable overseas tax	–	904
Overseas tax	5,657	6,900
Overseas tax credits	(6)	(1)
Total current tax for the year (Note 8b)	<u>5,947</u>	<u>8,002</u>
Deferred tax (Note 8c)	–	–
Total taxation	<u>5,947</u>	<u>8,002</u>

(b) Factors affecting current tax charge for the year

The tax assessed for the year is different to the standard rate of Corporation tax in the UK for authorised open-ended investment companies (OEICs) of 20%. The differences are explained below:

	2013	2012
	£000	£000
Net revenue before taxation	<u>25,129</u>	<u>31,616</u>
Corporation tax at 20% (2012: 20%)	5,025	6,323
Effects of:		
Adjustment in respect of prior periods	296	199
Current year expenses not utilised	9,987	9,191
Irrecoverable overseas tax	5,657	7,804
Overseas tax credits	(6)	(1)
Revenue not subject to taxation	(14,994)	(15,480)
Tax relief on overseas tax suffered	(18)	(34)
Current tax charge for year (Note 8a)	<u>5,947</u>	<u>8,002</u>

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2012: nil).

(d) Factors that may affect future tax charges

At the year end, there is a potential deferred tax asset of £48,690,000 (2012: £38,825,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Aggregated notes to the financial statements (continued)

9 Finance costs

Distributions and interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2013	2012
	£000	£000
Interim Accumulation Dividend Distribution	5,512	5,452
Final Income Dividend Distribution	588	227
Final Accumulation Dividend Distribution	16,650	19,269
	<u>22,750</u>	<u>24,948</u>
Amounts deducted on cancellation of shares	1,169	817
Amounts received on issue of shares	(213)	(506)
Finance costs: Distributions	<u>23,706</u>	<u>25,259</u>
Finance costs: Interest	50	24
Total finance cost	<u>23,756</u>	<u>25,283</u>
Net revenue after taxation	19,182	23,614
Movement in net revenue property	2	(2)
Performance fee borne by the capital account	5,122	8
Revenue deficit transferred to the capital account	2,573	3,158
Equalisation on conversions	88	–
Stock dividend treated as capital	(3,282)	(1,538)
Withholding tax on stock dividends	21	19
Finance costs: Distributions	<u>23,706</u>	<u>25,259</u>

10 Debtors

	2013	2012
	£000	£000
Accrued revenue	4,987	9,629
Amounts receivable for issue of shares	3,705	1,792
Amounts receivable from counterparty regarding CFD contracts	525	484
Corporation tax recoverable	–	141
Currency transactions awaiting settlement	21,468	–
Money due from US Opportunities Fund	–	3
Overseas tax recoverable	4,250	2,356
Sales awaiting settlement	36,718	27,254
Total debtors	<u>71,653</u>	<u>41,659</u>

Aggregated notes to the financial statements (continued)

11 Cash and bank balances

	2013	2012
	£000	£000
Amounts held at derivative clearing houses and brokers	165	3,450
Cash and bank balances	75,457	122,829
Term deposit accounts	68,037	196,473
Total cash and bank balances	143,659	322,752

12 Creditors

	2013	2012
	£000	£000
Accrued ACD periodic charge	3,677	3,606
Accrued expenses	2,974	794
Amounts payable for cancellation of shares	12,151	5,179
Amounts payable on derivatives	39	1,305
Amount payable to counterparty regarding CFD contracts	3	4
Corporation tax payable	512	–
Currency transactions awaiting settlement	21,483	–
Amounts due to US Growth Fund	–	3
Purchases awaiting settlement	36,091	54,731
Total creditors	76,930	65,622

13 Securities Lending

Details of the securities lending are set out in the financial statements of each Fund.

14 Financial derivatives

Details of the financial derivatives are set out in the financial statements of each Fund.

15 Contingent Liabilities and Commitments

There were no contingent liabilities or outstanding commitments at the current year end (2012: nil).

Aggregated notes to the financial statements (continued)

16 Related Party Transactions

The Financial Reporting Standard number 8 ("FRS 8") on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS 8 the ACD is deemed to be a related party.

All transactions and balances associated with the ACD are disclosed within the Statement of total return', 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 8 and 9 and notes 7, 10 and 12 on pages 17 to 20 including all creations and cancellations where the ACD acted as principal.

Details of the material shareholders are set out in the financial statements of each Fund.

Henderson Investment Funds Limited, as ACD to the Fund is a related party. The ultimate controlling party of Henderson Investment Funds Limited is Henderson Group plc. Aggregate value of purchases and sales transactions in, and revenue receivable from Henderson Group plc and its subsidiaries for the year amounts to £nil (2012: £nil). Revenue receivable from Henderson Group plc and its subsidiaries for the year amounts to £nil.

Aggregate value of investments held with Henderson Group plc and related entities are £nil (2012: £nil).

17 Dilution adjustment

Pricing by the Company is on a swinging single priced basis. The Company's policy is to apply a dilution adjustment which is intended to cover certain dealing charges which could have a diluting effect on the performance of the Fund when there is a large volume of deals. Normally the Company will only apply such an adjustment in the following circumstances:

- (a) if the Fund is experiencing large levels of net purchases (i.e. purchases less redemptions) relative to its size;
- (b) where the Fund is experiencing large levels of net redemptions (i.e. redemptions less purchases) relative to its size;
- (c) in any other case where the ACD is of the opinion that the interests of existing or continuing shareholders and potential investors require the imposition of a dilution adjustment.

The adjustment, where applied, is included within the dealing price available to shareholders and is not disclosed separately in the financial statements as it has been shown in previous periods.

18 Risk disclosures

Details of the portfolio of each Fund and its exposure to currency risks are set out in the financial statements of each Fund.

Henderson European Focus Fund

Manager's report

Fund Manager

John Bennett

Investment objective and policy

The Fund aims to achieve a long-term return, in excess of the long-term return that is typically achieved from European equity markets (excluding the United Kingdom), by investing in a concentrated portfolio of companies having their registered office in Europe (excluding the United Kingdom) and companies that do not have their registered office in Europe (excluding the United Kingdom) but either (i) carry out a predominant proportion of their business activity in these markets, or (ii) are holding companies which predominantly own companies with registered offices in Europe (excluding the United Kingdom).

The Fund will invest in companies of any market capitalisation. The Fund will invest in a portfolio of typically 30–40 holdings.

The return will be a combination of capital and income returns.

The Fund may also invest at the Manager's discretion in other transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in applicable FCA Rules).

Performance summary

	1 Jun 12- 31 May 13	1 Jun 11- 31 May 12	1 Jun 10- 31 May 11	1 Jun 09- 31 May 10	1 Jun 08- 31 May 09
	%	%	%	%	%
Henderson European Focus Fund	42.2	(14.0)	27.5	11.9	(29.9)
FTSE World Europe Ex UK Index	43.3	(24.2)	24.3	14.4	(25.3)

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, net of fees, GBP.

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.

Significant portfolio changes for the year ended 31 May 2013

Purchases	£000	Sales	£000
AstraZeneca	8,597	AstraZeneca	5,320
Sanofi	7,070	Novo Nordisk 'B'	4,774
Bayer	6,808	SAP	4,662
Novartis (registered)	6,591	Société BIC	4,622
Roche Holding – participating	6,275	Sanofi	4,459
Novo Nordisk 'B'	6,261	Fresenius	4,325
BNP Paribas	6,160	BNP Paribas	4,091
Fresenius	5,708	Bayer	3,757
Henkel preference shares	5,632	Henkel preference shares	3,677
Akzo Nobel	4,526	Dassault Systèmes	3,425

Performance

Over the year to 31 May 2013 the Fund returned 42% compared with a rise of 43% in its benchmark index FTSE Europe excluding UK (GBP).

Investment activity

Performance was strong over the period. Our underweight to the oil and gas and telecommunications sectors was rewarded and a winning sector was healthcare, a long standing overweight. We firmly believe that the story for European pharmaceuticals remains intact, with many companies well positioned to deliver long-term sustainable earnings and priced at attractive entry levels for investors. The main laggard was the financials sector.

At a stock level key performers over the period were Swiss pharmaceuticals Roche Holding – participating and Novartis (registered). Interest in this sector is gradually increasing as it returns to growth. With economic growth set to remain low we expect the sector to remain in favour and retain our large exposure. Winners also included Anglo Dutch publisher Reed Elsevier, which released strong results. With encouraging results from each underlying business division and high cash generation, capital returns to shareholders look likely to continue and the stock remains a core holding. The largest detractor over the period was Novo Nordisk 'B', the Danish pharmaceuticals company, as US approval for one of its diabetes drugs was delayed. The share price has since partly recovered. French bank BNP Paribas and Dutch speciality chemical company Akzo Nobel also lagged.

Our strategy has remained broadly constant during the past year. In recognising the potential for a sharp rally among the 'high beta' areas of the market we made some tactical alterations. New strategic additions included Dutch food retailer Koninklijke Ahold, which is on an attractive absolute and relative valuation. We also established a position in Bank of Ireland (London listed) based on Ireland's improving trade situation and regained competitiveness. In the small-cap space we bought Interpump, the world's largest manufacturer of high pressure pumps. Astrazeneca in the pharmaceutical sector was also added. Disposals over the period included Volvo and Electrolux as we reduced the Fund's cyclical component. We have been disappointed by the rate of progress made by Dutch nutrition and chemical company DSM in its transformation and sold the holding. Other disposals included beverage stock Heineken and Swiss testing company SGS.

Outlook

An over-indebted, slow growth world has informed our investment thinking in recent years. We see little reason to change that working assumption. Moreover, we remain encouraged by the combination that Europe's rarely popular equity markets continue to offer: steadily compounding cash flows from global franchises available at an attractive price. Mindful of recent years' stellar performance by small- and mid-caps we now see the opportunity for leadership to hand over to large-cap stocks. This would be of benefit to the Fund's strategy. We continue to identify plenty of stock and sector specific opportunities to enable us to build on recent years' performance.

Comparative tables as at 31 May 2013

Net asset value per share

	Net asset value of Fund (£)	Net asset value of shares (£)	Number of shares in issue	Net asset value per share (pence)
Class A accumulation				
31/05/2011	29,550,933	29,550,933	20,921,160	141.25
31/05/2012	28,219,104	28,219,104	23,370,190	120.75
31/05/2013	87,935,265	64,115,370	37,167,143	172.51
Class I accumulation*				
31/05/2013	87,935,265	23,819,895	18,023,484	132.16

* Class I accumulation launched on 1 August 2012.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2008	2.03	148.68	82.76
2009	2.26	122.69	79.65
2010	0.25	133.78	105.60
2011	0.92	144.22	109.39
2012	1.11	148.63	118.86
2013	1.96+	177.46*	148.64*
Class I accumulation			
2012**	–	113.44	100.89
2013	2.54+	135.95*	113.47*

* to 31 May

+ to 31 July

** From 1 August 2012 to 31 December 2012.

Ongoing charge figure

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. Ongoing charges are all expenses deducted from the assets of the Fund during the year, except for expenses that are explicitly excluded by regulation.

	2013	2012
	%	%
Class A	1.83	2.33
Class I*	0.93	n/a

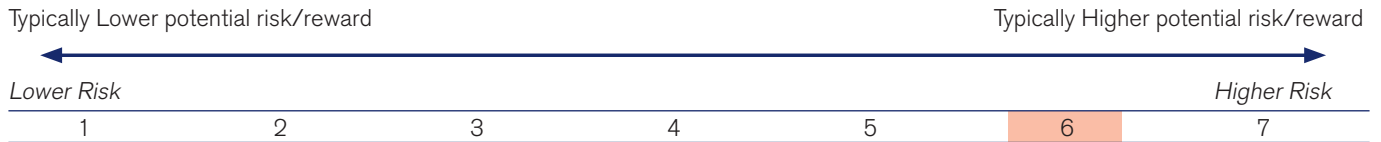
The OCF is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR).

* Class I launched on 1 August 2012.

Risk and reward profile

The Fund currently has 2 types of shares in issue:
A accumulation and I accumulation.

The risk and reward profile is the same for each type of share and 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 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 single region
- As a category, shares are 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 which could amplify everyday risk and trigger other risks.

Since the issue of the KIID there have been no changes to the risk ratings in the year.

The Synthetic risk and reward indicator (SRRI) conforms to the CESR guidelines for the calculation of the SRRI.

Portfolio statement as at 31 May 2013

Holding	Investment	Market value £000	Percentage of total net assets %
UNITED KINGDOM – 4.01% (2012: 0.00%)			
103,995	AstraZeneca	3,528	4.01
BELGIUM – 1.73% (2012: 0.00%)			
57,975	KBC Bankverzekerings	1,521	1.73
CYPRUS – 1.27% (2012: 1.41%)			
180,786	Prosafe	1,120	1.27
DENMARK – 3.76% (2012: 4.04%)			
19,550	Novo Nordisk 'B'	2,072	2.35
54,288	Pandora	1,236	1.41
		3,308	3.76
FINLAND – 1.52% (2012: 1.26%)			
49,614	Sampo Oyj	1,336	1.52
FRANCE – 14.60% (2012: 22.24%)			
Equities – 14.60% (2012: 22.25%)			
51,154	BNP Paribas	1,982	2.26
14,214	Dassault Systemes	1,179	1.34
90,264	Sanofi	6,366	7.24
17,470	Société BIC	1,225	1.39
47,211	Valeo	2,086	2.37
		12,838	14.60
Futures – 0.00% (2012: (0.01%))			

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
GERMANY – 24.95% (2012: 17.72%)			
Equities – 24.95% (2012: 17.74%)			
21,338	Adidas-Salomon	1,536	1.75
11,789	Allianz (registered)	1,211	1.38
20,589	BASF	1,329	1.51
61,526	Bayer	4,373	4.97
18,245	Bertrandt	1,297	1.48
21,250	BMW	1,340	1.52
12,814	Continental	1,118	1.27
67,262	Freenet	950	1.08
16,473	Fresenius	1,286	1.47
45,698	Henkel preference shares	2,915	3.31
247,991	Infineon Technologies	1,393	1.58
77,517	Lufthansa	1,104	1.26
7,746	Muenchener Ruecker	959	1.09
22,701	SAP	1,126	1.28
		<u>21,937</u>	<u>24.95</u>
Futures – 0.00% (2012: (0.02%))			
IRELAND – 1.05% (2012: 0.00%)			
6,057,922	Bank of Ireland (London listed)	<u>927</u>	<u>1.05</u>
ITALY – 1.47% (2012: 0.00%)			
220,438	Interpump	<u>1,293</u>	<u>1.47</u>
NETHERLANDS – 12.67% (2012: 13.65%)			
54,069	Akzo Nobel	2,278	2.59
27,350	ASML Holding	1,502	1.71
238,404	Koninklijke Ahold	2,553	2.90
46,926	Koninklijke Philips	878	1.00
282,538	Reed Elsevier	3,062	3.48
32,239	Unilever	869	0.99
		<u>11,142</u>	<u>12.67</u>
NORWAY – 0.00% (2012: 1.01%)			
SPAIN – 0.99% (2012: 0.00%)			
1,596,142	Banco Popular Espanol	<u>866</u>	<u>0.99</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
SWEDEN – 2.83% (2012: 7.33%)			
49,097	Kinnevik Investment	862	0.98
199,000	Nordea	1,623	1.85
		2,485	2.83
SWITZERLAND – 28.48% (2012: 27.34%)			
19,584	CIE Financiere Richemond 'A'	1,156	1.31
79,774	Nestlé (registered)	3,479	3.96
169,140	Novartis (registered)	8,022	9.12
46,309	Roche Holding – participating	7,611	8.66
20,706	Schindler Holding participation certificates	1,987	2.26
238,270	UBS (registered)	2,786	3.17
		25,041	28.48
	Investments assets	87,342	99.33
	Net other assets	593	0.67
	Net assets	87,935	100.00

Statement of total return for the year ended 31 May 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Income					
Net capital gains/(losses)	2		19,001		(4,705)
Revenue	4	2,466		975	
Expenses	5	(959)		(585)	
Finance costs: Interest	7	(3)		–	
Net revenue before taxation		1,504		390	
Taxation	6	(245)		(106)	
Net revenue after taxation			1,259		284
Total return before distributions			20,260		(4,421)
Finance costs: Distributions	7		(1,182)		(256)
Change in net assets attributable to shareholders from investment activities			19,078		(4,677)

Statement of change in net assets attributable to shareholders for the year ended 31 May 2013

		2013		2012	
		£000	£000	£000	£000
Opening net assets attributable to shareholders			28,219		29,551
Amounts receivable on issue of shares		53,843		5,051	
Amounts payable on cancellation of shares		(14,391)		(1,965)	
			39,452		3,086
Stamp duty reserve tax			(1)		–
Change in net assets attributable to shareholders from investment activities (see above)			19,078		(4,677)
Retained distribution on accumulation shares			1,187		259
Closing net assets attributable to shareholders			87,935		28,219

Balance sheet as at 31 May 2013

		2013		2012	
	Notes	£000	£000	£000	£000
Assets					
Investment assets			87,342		27,099
Debtors	8	5,359		1,042	
Cash and bank balances	9	1,394		926	
Total other assets			<u>6,753</u>	<u>1,968</u>	
Total assets			94,095		29,067
Liabilities					
Investment liabilities			-		(10)
Creditors	10	(5,198)		(709)	
Bank overdraft		(962)		(129)	
Total other liabilities			<u>(6,160)</u>	<u>(838)</u>	
Total liabilities			(6,160)		(848)
Net assets attributable to shareholders			<u>87,935</u>	<u>28,219</u>	

1 Accounting policies

The accounting, distribution and risk management policies are set out in notes 1 to 3 of the aggregated financial statements on pages 10 to 14.

2 Net capital gains/(losses)

The net gains/(losses) on investments during the year comprise:

	2013	2012
	£000	£000
Capital special dividend	–	36
Derivative securities	594	(117)
Forward foreign currency contracts	7	–
Non-derivative securities	18,495	(4,329)
Other currency losses	(61)	(253)
Transaction costs	(34)	(42)
Net capital gains/(losses)	19,001	(4,705)

3 Portfolio transaction costs

	2013	2012
	£000	£000
Purchases in year before transaction costs	201,456	117,801
Commissions	209	165
Taxes and other transfer charges	100	18
Total purchase transaction costs*	309	183
Purchases including transaction costs	201,765	117,984
Sales in year before transaction costs	160,295	116,067
Commissions	(195)	(168)
Total sale transaction costs*	(195)	(168)
Sales net of transaction costs	160,100	115,899
Transaction handling charges*	34	42

* These amounts have been deducted in determining net capital gains/(losses).

Notes to the financial statements (continued)

4 Revenue

	2013	2012
	£000	£000
Bank interest	–	3
Deposit interest	–	1
Overseas dividends	2,340	920
Stock dividend	100	28
UK dividends	7	–
Securities lending revenue	19	23
Total revenue	2,466	975

5 Expenses

	2013	2012
	£000	£000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's periodic charge	814	514
Administration fee	–	4
General administration charge (see note 1g)*	128	57
	942	575
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	9	4
Safe custody fee	8	4
	17	8
Other expenses:		
Audit fee	–	1
Report & Accounts fee	–	1
	–	2
Total expenses	959	585

* The current year audit fee is £10,650 (2012: £10,650). The audit fee levied through the GAC charge is £10,650 (2012: £9,250).

Notes to the financial statements (continued)

6 Taxation

(a) Analysis of charge in year

The tax charge comprises:

	2013	2012
	£000	£000
Overseas tax	245	106
Total current tax for year (Note 6b)	245	106
Deferred tax (Note 6c)	–	–
Total taxation	245	106

(b) Factors affecting current tax charge for the year

The tax assessed for the year is different to the standard rate of Corporation tax in the UK for authorised open-ended investment companies (OEICs) of 20%. The differences are explained below:

	2013	2012
	£000	£000
Net revenue before taxation	1,504	390
Corporation tax at 20% (2012: 20%)	301	78
Effects of:		
Current year expenses not utilised	188	112
Irrecoverable overseas tax	245	106
Revenue not subject to taxation	(489)	(190)
Current tax charge for year (Note 6a)	245	106

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2012: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £435,000 (2012: £247,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Finance costs

Distributions and interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2013	2012
	£000	£000
Final Accumulation Dividend Distribution	1,187	259
	<u>1,187</u>	<u>259</u>
Amounts deducted on cancellation of shares	46	(3)
Amounts received on issue of shares	(51)	–
Finance costs: Distributions	<u>1,182</u>	<u>256</u>
Finance costs: Interest	3	–
Total finance costs	<u>1,185</u>	<u>256</u>
Net revenue after taxation	1,259	284
Equalisation on conversions	23	–
Stock dividend treated as capital	(100)	(28)
Finance costs: Distributions	<u>1,182</u>	<u>256</u>

8 Debtors

	2013	2012
	£000	£000
Accrued revenue	88	105
Amounts receivable for issue of shares	142	–
Currency transactions awaiting settlement	2,190	–
Overseas tax recoverable	165	63
Sales awaiting settlement	2,774	874
Total debtors	<u>5,359</u>	<u>1,042</u>

9 Cash and bank balances

	2013	2012
	£000	£000
Amounts held at derivative clearing houses and brokers	–	101
Cash and bank balances	1,394	825
Total cash and bank balances	<u>1,394</u>	<u>926</u>

Notes to the financial statements (continued)

10 Creditors

	2013	2012
	£000	£000
Accrued ACD periodic charge	97	36
Accrued expenses	21	14
Amounts payable for cancellation of shares	33	7
Currency transactions awaiting settlement	2,195	–
Purchases awaiting settlement	2,852	652
Total creditors	5,198	709

11 Securities Lending

The Fund and the Investment Manager have entered into a securities lending programme with HSBC Securities Services acting as the Securities Lending Agent for the purposes of efficient portfolio management and in order to generate income.

Securities lending revenue is disclosed under 'Revenue' in the Statement of total return. The gross securities lending revenue for the year was £23,174 with expenses of £4,635 deducted to give net securities lending revenue of £18,539 (2012: £23,464).

There is no stock on loan at the current year end (2012: £902,000). Consequently there is no collateral held at the current year end (2012: £962,352).

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current year end (2012: nil).

13 Related party transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS 8 the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 30 and 31 and notes 5, 8 and 10 on pages 33 to 36 including all creations and cancellations where the ACD acted as principal.

Fundsettle EOC Nominees Limited, as a material shareholder, is a related party with a 38.58% shareholding (2012: 19.82%).

Material transactions throughout the year such as creations and cancellations for this shareholder are included in the Statement of change in net assets attributable to shareholders.

Notes to the financial statements (continued)

14 Shareholder funds

The Fund currently has 2 share classes, Class A (Retail with front-end charges) and Class I (Institutional). The annual ACD's periodic charge on each share class is as follows:

Class A	1.50%
Class I	0.75%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 24. The distribution per share class is given in the distribution tables on page 38. All share classes have the same rights on winding up.

15 Risk disclosures

Risk policies in respect of financial assets and liabilities are set out in note 3 of the aggregated financial statements on pages 13 and 14.

Currency risk

Net currency monetary assets and liabilities consist of:

	Investment assets including investment liabilities	Net other assets/ (liabilities)	Net assets
	£000	£000	£000
Currency			
2013			
Danish krone	3,308	–	3,308
Euro	51,860	456	52,316
Norwegian krone	1,120	17	1,137
Swedish krona	6,013	3	6,016
Swiss franc	25,041	144	25,185
UK sterling	–	(27)	(27)
Total	87,342	593	87,935
2012			
Danish krone	1,139	–	1,139
Euro	15,486	1,040	16,526
Norwegian krone	681	44	725
Swedish krona	2,068	–	2,068
Swiss franc	7,715	53	7,768
UK sterling	–	(7)	(7)
Total	27,089	1,130	28,219

Distribution tables for the year ended 31 May 2013 (in pence per share)

There was no distribution for the six months ended 30 November 2012.

Final dividend distribution (accounting date 31 May 2013, payable on 31 July 2013)

Group 1: shares purchased prior to 1 December 2012

Group 2: shares purchased on or after 1 December 2012

	Net revenue	Equalisation	Distribution payable 31/07/13	Distribution paid 31/07/12
Class A accumulation				
Group 1	1.965	–	1.965	1.106
Group 2	1.742	0.223	1.965	1.106
Class I accumulation				
Group 1	2.536	–	2.536	–
Group 2	1.935	0.601	2.536	–

Henderson Global Focus Fund

Manager's report

Fund Manager

Matthew Beesley

Investment objective and policy

The Fund aims to achieve a long-term return, in excess of the long-term return that is typically achieved from global equity markets, by investing in a concentrated portfolio of companies.

The Fund will invest in companies of any market capitalisation. The Fund will invest in a portfolio of typically 30–40 holdings.

The return will be a combination of capital and income returns.

The Fund may also invest at the Manager's discretion in other transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in applicable FCA Rules).

Performance summary

	1 Jun 12- 31 May 13	1 Jun 11- 31 May 12	1 Jun 10- 31 May 11	1 Jun 09- 31 May 10	1 Jun 08- 31 May 09
	%	%	%	%	%
Henderson Global Focus Fund	30.2	(9.9)	6.6	27.5	(26.5)
MSCI World Index	30.5	(4.3)	13.6	26.7	(19.6)

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, net of fees, GBP.

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.

Significant portfolio changes for the year ended 31 May 2013

Purchases	£000	Sales	£000
Lloyds Banking Group	7,014	Sanofi	9,509
DaVita Healthcare	6,433	Union Pacific	8,831
Standard Chartered	6,037	Bayer	7,950
Infineon Technologies	6,013	Las Vegas Sands	7,287
AIA	5,873	Centrica	7,275
KBC Bankverzekerings	5,768	Apple	7,219
Bed Bath & Beyond	5,310	General Electric	6,972
Turkiye Halk Bankasi	5,041	Standard Chartered	6,888
Limited Brands	4,944	Oracle	6,796
ITV	4,875	Vodafone	6,761

Manager's report (continued)

The twelve months to 31 May 2013 saw the MSCI World Index return a solid 30.5%. This performance was helped by European Central Bank president Mario Draghi's announcement that he would do "whatever it takes" to preserve the euro and the US Federal Reserve (Fed)'s plan for unlimited quantitative easing until a target unemployment rate was reached. Against a generally lacklustre global economic backdrop, the US stood out as an area of relative strength, evident in improving housing and employment data. Conversely, the emerging markets have struggled as they witness a structural move to lower growth rates, particularly in China. In Europe, political and economic concerns were heightened, but encouragingly the wider market showed greater resilience to these issues. The outperformance of Japanese markets has been a prominent development in 2013, following the new leadership's aim to reinvigorate the Japanese economy and create inflation via aggressive monetary intervention and fiscal policy changes. While Japanese equities gave back some of their gains in May, investors are watching developments and data points closely for evidence of growth and inflation following years of underperformance in the region.

The Fund performed broadly in line with its benchmark returning 30.2% versus the MSCI World Index return of 30.5%. Positive contributions came from stock selection within financials and industrials. The primary detractor was the Fund's overweight allocation to information technology, where reduced corporate IT spending has weighed on US company earnings in the sector. This was evident at US software company Citrix Systems, which has seen a noticeable drop in demand for its desktop software. Stock selection within the energy sector was also a drag on relative returns, notably positions in BG and National Oilwell Varco (NOV). BG's revised production guidance in late 2012 caused many investors to adjust their earnings growth outlook downwards for the UK-headquartered oil & gas company. At NOV disappointing earnings combined with a negative profit margin outlook to weigh on the share price. The long-term case for NOV remains positive, however, as high demand for offshore rig construction and global fleet renewal – which account for almost two-thirds of NOV's operating profit – continue to drive growth.

The standout positive performer over the period was the Fund's holding in US bank Citigroup, which rose over 99% in sterling terms. This strong performance came as the company has simplified and streamlined operations through cost cutting and the divestiture of non-core assets in Citi Holdings, which have been a drag on earnings. This has led to multiple earnings surprises over the year and improved capital ratios. Shares in Japanese power tool manufacturer Makita Corporation also rose, benefiting from increased overseas demand from North America as the residential housing market improves and as a weaker yen boosts margins. Bayer also proved a solid investment: growth in its CropScience and HealthCare divisions drove the share price towards our fair value target, prompting us to close the position.

Following years of deflation and yen strength, a number of quality Japanese companies have pared back operational expense in order to maintain profitability. Given the economic changes unfolding, inflation and yen weakness may be catalysts for earnings growth in these companies. With this in mind we increased the Fund's allocation to the region over the period (although we still remain underweight) with purchases of Japanese financial Sumitomo Mitsui Financial, retailer Ryohin Keikaku, and power tool manufacturer Makita Corporation. We have also maintained the Fund's overweight allocation to IT while making some changes in the portfolio, such as switching out of Apple and Broadcom and into Samsung Electronics. Our investment process has also seen the portfolio weighting towards cyclicals increase. This area of the market has been better at providing investment opportunities: companies undergoing change that the market is not fully appreciating. The Fund's positions include Infineon Technologies, KBC Bankverzekering, Lloyds Banking Group, ITV, and Limited brands. In order to fund these changes, we closed some of our more defensive positions, which included Sanofi, General Electric, Kraft, and Vodafone.

Looking ahead to the second half of 2013 and beyond we see an attractive landscape for fundamentals-based stock picking amongst attractively valued, cash flow generative companies on a two-to-three year view. The global economy has shown signs of progress, and while growth prospects in Europe are challenging there is evidence of improving confidence in the region. The US fiscal cuts introduced in March may cause an economic headwind, but this may also provide the impetus for the Fed to keep the monetary 'taps' open a little longer. This year, we have witnessed risk-adjusted outperformance in the healthcare and consumer staples sectors, which we see as reflective of ongoing investor appetite for yield within the low interest rate environment. We note that on a simple price-to-earnings basis valuations in these sectors are at five year highs, and with arguably little room for positive earnings surprises it is possible we will soon see a rotation out of defensive sectors and into cyclicals.

Comparative tables as at 31 May 2013

Net asset value per share

	Net asset value of Fund (£)	Net asset value of shares (£)	Number of shares in issue	Net asset value per share (pence)
Class A accumulation				
31/05/2011	250,084,403	127,021,768	89,855,994	141.36
31/05/2012	190,493,990	82,671,834	65,182,670	126.83
31/05/2013	134,621,379	94,479,028	57,608,703	164.00
Class Corporate accumulation				
31/05/2011	250,084,403	123,062,635	107,463,002	114.52
31/05/2012	190,493,990	107,822,156	104,232,636	103.44
31/05/2013	134,621,379	40,142,351	29,790,710	134.75

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2008	–	153.81	95.13
2009	0.80	130.13	89.95
2010	0.47	147.04	118.46
2011	0.67	148.96	109.80
2012	0.78	139.25	123.01
2013	0.86 ⁺	168.75 [*]	138.60 [*]
Class Corporate accumulation			
2008 ^{**}	–	107.63	76.01
2009	1.12	104.65	72.01
2010	0.91	118.85	95.53
2011	1.11	120.43	89.16
2012	1.35	113.43	100.31
2013	1.57 ⁺	138.63 [*]	113.59 [*]

* to 31 May

+ to 31 July

** From 4 August 2008 to 31 December 2008.

Ongoing charge figure

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. Ongoing charges are all expenses deducted from the assets of the Fund during the year, except for expenses that are explicitly excluded by regulation.

	2013	2012
	%	%
Class A*	1.58	1.51
Class Corporate	0.84	0.85

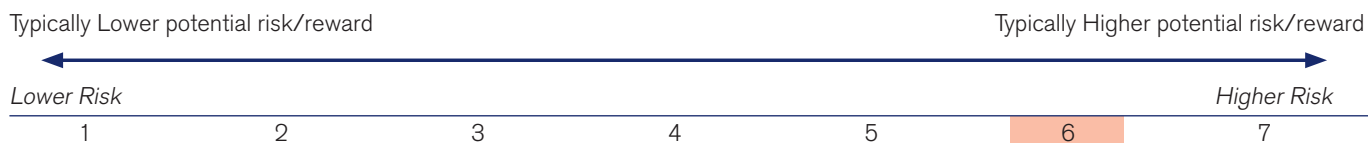
The OCF is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR).

* If at the end of any month the Fund is not ranked in the top 25% of its sector over a rolling 12 month period, the AMC will be reduced from 2.00% to 1.25% for the following month.

Risk and reward profile

The Fund currently has 2 types of shares in issue:
A accumulation and Corporate accumulation.

The risk and reward profile is the same for each type of share and 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 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 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 which could amplify everyday risk and trigger other risks.

Since the issue of the KIID there have been no changes to the risk ratings in the year.

The Synthetic risk and reward indicator (SRRI) conforms to the CESR guidelines for the calculation of the SRRI.

Portfolio statement as at 31 May 2013

Holding	Investment	Market value £000	Percentage of total net assets %
UNITED KINGDOM – 8.81% (2012: 16.66%)			
555,100	Centrica	2,109	1.57
2,018,900	ITV	2,645	1.96
7,134,300	Lloyds Banking Group	4,426	3.29
96,477	Unilever	2,677	1.99
		<hr/>	<hr/>
		11,857	8.81
UNITED STATES – 55.55% (2012: 62.18%)			
94,000	Bed Bath & Beyond	4,232	3.14
65,900	BorgWarner	3,524	2.62
126,200	CBS	4,123	3.06
118,000	Charles Schwab	1,546	1.15
126,693	Citigroup	4,345	3.23
89,410	Citrix Systems	3,795	2.82
49,500	Cummins	3,905	2.90
42,300	DaVita Healthcare	3,461	2.57
104,300	eBay	3,723	2.77
54,800	Expedia	2,077	1.54
6,820	Google	3,915	2.91
100,700	Limited Brands	3,321	2.47
226,800	Microsoft	5,218	3.88
91,100	National Oilwell Varco	4,232	3.14
73,000	Occidental Petroleum	4,433	3.29
218,000	Pfizer	3,917	2.91
59,043	Praxair	4,452	3.31
6,980	Priceline.com	3,700	2.75
46,480	PVH Corp	3,531	2.62
105,702	Walgreen	3,330	2.47
		<hr/>	<hr/>
		74,780	55.55
BELGIUM – 2.95% (2012: 0.00%)			
151,500	KBC Bankverzekerings	3,975	2.95
CHINA (INCLUDING HONG KONG) – 2.98% (2012: 2.42%)			
1,375,000	AIA	4,019	2.98
FRANCE – 0.00% (2012: 4.31%)			

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
GERMANY – 3.16% (2012: 6.42%)			
758,000	Infineon Technologies	4,258	3.16
INDONESIA – 0.48% (2012: 0.00%)			
986,300	Bank Mandiri	644	0.48
JAPAN – 7.37% (2012: 1.47%)			
90,700	Makita Corporation	3,265	2.43
51,000	Ryohin Keikaku	2,522	1.87
156,000	Sumitomo Mitsui Financial	4,132	3.07
		9,919	7.37
KOREA – 2.40% (2012: 0.00%)			
3,600	Samsung Electronics	3,233	2.40
SWEDEN – 2.65% (2012: 0.00%)			
367,000	Volvo 'B'	3,565	2.65
SWITZERLAND – 5.00% (2012: 3.06%)			
56,000	Nestlé (registered)	2,442	1.82
111,600	Pentair	4,286	3.18
		6,728	5.00
TURKEY – 1.28% (2012: 0.00%)			
247,300	Türkiye Halk Bankasi	1,721	1.28
Investments assets		124,699	92.63
Net other assets		9,922	7.37
Net assets		134,621	100.00

Statement of total return for the year ended 31 May 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Income					
Net capital gains/(losses)	2		44,145		(25,939)
Revenue	4	4,069		4,783	
Expenses	5	(2,117)		(2,400)	
Net revenue before taxation		1,952		2,383	
Taxation	6	(396)		(437)	
Net revenue after taxation			1,556		1,946
Total return before distributions			45,701		(23,993)
Finance costs: Distributions	7		(1,557)		(1,946)
Change in net assets attributable to shareholders from investment activities			44,144		(25,939)

Statement of change in net assets attributable to shareholders for the year ended 31 May 2013

	2013		2012	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		190,494		250,084
Amounts receivable on issue of shares	1,752		89	
Amounts payable on in specie cancellation	–		(18,009)	
Amounts payable on cancellation of shares	(103,110)		(17,641)	
		(101,358)		(35,561)
Stamp duty reserve tax		(2)		(1)
Change in net assets attributable to shareholders from investment activities (see above)		44,144		(25,939)
Retained distributions on accumulation shares		1,343		1,911
Closing net assets attributable to shareholders		134,621		190,494

Balance sheet as at 31 May 2013

		2013		2012	
	Notes	£000	£000	£000	£000
Assets					
Investment assets			124,699		183,861
Debtors	8	1,642		1,810	
Cash and bank balances	9	8,970		9,022	
Total other assets			<u>10,612</u>		<u>10,832</u>
Total assets			135,311		194,693
Liabilities					
Creditors	10	<u>(690)</u>		<u>(4,199)</u>	
Total liabilities			(690)		(4,199)
Net assets attributable to shareholders			<u>134,621</u>		<u>190,494</u>

Notes to the financial statements as at 31 May 2013

1 Accounting policies

The accounting, distribution and risk management policies are set out in notes 1 to 3 of the aggregated financial statements on pages 10 to 14.

2 Net capital gains/(losses)

The net gains/(losses) on investments during the year comprise:

	2013	2012
	£000	£000
Currency gains/(losses)	463	(86)
Non-derivative securities	43,687	(25,847)
Transaction costs	(5)	(6)
Net capital gains/(losses)	44,145	(25,939)

3 Portfolio transaction costs

	2013	2012
	£000	£000
Purchases in year before transaction costs	116,299	165,598
Commissions	171	276
Taxes and other transfer charges	100	67
Total purchase transaction costs*	271	343
Purchases including transaction costs	116,570	165,941
Sales in year before transaction costs	219,661	196,910
Commissions	(236)	(264)
Taxes and other transfer charges	(17)	(19)
Total sale transaction costs*	(253)	(283)
Sales net of transaction costs	219,408	196,627
Transaction handling charges*	5	6

* These amounts have been deducted in determining net capital gains/(losses).

Notes to the financial statements (continued)

4 Revenue

	2013	2012
	£000	£000
Bank interest	2	1
Overseas dividends	2,979	2,960
Securities lending revenue	–	89
UK dividends	1,088	1,733
Total revenue	4,069	4,783

5 Expenses

	2013	2012
	£000	£000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's periodic charge	1,814	2,048
Administration fee	–	36
General administration charge (see note 1g)*	262	261
	2,076	2,345

Payable to the Depositary, associates of the Depositary and agents of either of them:

Depositary fee	21	24
Safe custody fee	19	22
	40	46

Other expenses:

Dividend collection expenses	1	–
Professional fee	–	3
Report & Accounts fee	–	6
	1	9

Total expenses	2,117	2,400
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* The current year audit fee is £12,030 (2012: £12,030). The audit fee levied through the GAC charge is £12,030 (2012: £10,810).

Notes to the financial statements (continued)

6 Taxation

(a) Analysis of charge in year

The tax charge comprises:

	2013	2012
	£000	£000
Overseas tax	396	437
Total current tax for year (Note 6b)	396	437
Deferred tax (Note 6c)	–	–
Total taxation	396	437

(b) Factors affecting current tax charge for the year

The tax assessed for the year is different to the standard rate of Corporation tax in the UK for authorised open-ended investment companies (OEICs) of 20%. The differences are explained below:

	2013	2012
	£000	£000
Net revenue before taxation	1,952	2,383
Corporation tax at 20% (2012: 20%)	390	477
Effects of:		
Current year expenses not utilised	423	453
Irrecoverable overseas tax	396	437
Revenue not subject to taxation	(813)	(928)
Tax relief on overseas tax suffered	–	(2)
Current tax charge for year (Note 6a)	396	437

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision for deferred taxation at the Balance sheet date (2012: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £2,575,000 (2012: £2,152,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Finance costs

Distributions and interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2013	2012
	£000	£000
Interim Accumulation Dividend Distribution	563	589
Final Accumulation Dividend Distribution	780	1,322
	<u>1,343</u>	<u>1,911</u>
Amounts deducted on cancellation of shares	219	35
Amounts received on issue of shares	(5)	–
	<u>1,557</u>	<u>1,946</u>
Total finance costs	1,557	1,946
Net revenue after taxation	1,556	1,946
Movement in net income property	1	–
	<u>1,557</u>	<u>1,946</u>
Finance costs: Distributions	1,557	1,946

8 Debtors

	2013	2012
	£000	£000
Accrued revenue	283	595
Amounts receivable for issue of shares	217	–
Currency transactions awaiting settlement	436	–
Sales awaiting settlement	690	1,173
Overseas tax recoverable	16	42
	<u>1,642</u>	<u>1,810</u>
Total debtors	1,642	1,810

9 Cash and bank balances

	2013	2012
	£000	£000
Cash and bank balances	8,970	9,022
	<u>8,970</u>	<u>9,022</u>
Total cash and bank balances	8,970	9,022

Notes to the financial statements (continued)

10 Creditors

	2013	2012
	£000	£000
Accrued ACD periodic charge	126	158
Accrued expenses	25	37
Amounts payable for cancellation of shares	102	91
Currency transactions awaiting settlement	437	–
Purchases awaiting settlement	–	3,913
Total creditors	690	4,199

11 Securities lending

The Fund and the Investment Manager have entered into a securities lending programme with HSBC Securities Services acting as the Securities Lending Agent for the purposes of efficient portfolio management and in order to generate income.

Securities lending revenue is disclosed under 'Revenue' in the Statement of total return. The gross securities lending revenue for the year was £588 with expenses of £118 deducted to give net securities lending revenue of £470.

There is no stock on loan at the current year end (2012: nil). Consequently there is no collateral held at the current year end (2012: £88,812).

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current year end (2012: nil).

13 Related party transactions

The Financial Reporting Standard number 8 ("FRS 8") on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS 8 the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 46 and 47 and notes 5, 8 and 10 on pages 49 to 52 including all creations and cancellations where the ACD acted as principal.

Heinz Pension Plan, as a material shareholder, is a related party with a 22.81% shareholding (2012: 46.76%).

Material transactions throughout the year such as creations and cancellations for this shareholder are included in the Statement of change in net assets attributable to shareholders.

Notes to the financial statements (continued)

14 Shareholder funds

The Fund currently has 2 share classes, Class A (Retail with front-end charges), and Class C (Corporate). The annual management charge (AMC) on each share class is as follows:

Class A*	2.00%
Class C	0.75%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 41. The distribution per share class is given in the distribution tables on page 54. All share classes have the same rights on winding up.

* If at the end of any month the Fund is not ranked in the top 25% of its sector over a rolling 12 month period, the AMC will be reduced to 1.25% for the following month.

15 Risk disclosures

Risk policies in respect of financial assets and liabilities are set out in note 3 of the aggregated financial statements on pages 13 and 14.

Currency risk

Net currency monetary assets and liabilities consist of:

	Investment assets £000	Net other assets £000	Net assets £000
Currency			
2013			
Euro	8,233	–	8,233
Hong Kong dollar	4,019	–	4,019
Indonesia rupiah	644	253	897
Japanese yen	9,919	91	10,010
Korean won	3,233	–	3,233
Swedish krona	3,565	–	3,565
Swiss franc	2,442	16	2,458
Turkish lira	1,721	–	1,721
UK sterling	11,857	9,469	21,326
US dollar	79,066	93	79,159
Total	124,699	9,922	134,621
2012			
Euro	20,427	1	20,428
Hong Kong dollar	4,608	–	4,608
Japanese yen	2,796	38	2,834
Swiss franc	5,829	41	5,870
UK sterling	31,744	6,406	38,150
US dollar	118,457	147	118,604
Total	183,861	6,633	190,494

Distribution tables for the year ended 31 May 2013 (in pence per share)

Interim dividend distribution (accounting date 30 November 2012, paid on 31 January 2013)

Group 1: shares purchased prior to 1 June 2012

Group 2: shares purchased on or after 1 June 2012

	Net revenue	Equalisation	Distribution paid 31/01/13	Distribution paid 31/01/12
Class A accumulation				
Group 1	0.058	–	0.058	–
Group 2	–	0.058	0.058	–
Class Corporate accumulation	0.506	–	0.506	0.564

Final dividend distribution (accounting date 31 May 2013, payable on 31 July 2013)

Group 1: shares purchased prior to 1 December 2012

Group 2: shares purchased on or after 1 December 2012

	Net revenue	Equalisation	Distribution payable 31/07/13	Distribution paid 31/07/12
Class A accumulation				
Group 1	0.805	–	0.805	0.780
Group 2	0.515	0.290	0.805	0.780
Class Corporate accumulation				
Group 1	1.062	–	1.062	0.781
Group 2	0.010	1.052	1.062	0.781

Henderson China Opportunities Fund

Manager's report

Fund Manager

Charlie Awdry

Investment objective and policy

The Fund aims to achieve a long-term return, in excess of the long-term return that is typically achieved from investments in Hong Kong and Chinese equity markets, by investing in companies having their registered office in Hong Kong or China and companies that do not have their registered office in Hong Kong or China but either (i) carry out a predominant proportion of their business activity in these markets, or (ii) are holding companies which predominantly own companies with registered offices in Hong Kong or China.

The Fund may also invest in American Depositary Receipts ('ADRs') investing in securities issued by companies incorporated in Hong Kong or China or in any similar listed securities of Hong Kong or Chinese companies.

The return will be a combination of capital and income returns.

The Fund may also invest at the Manager's discretion in other transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in applicable FCA Rules).

Performance summary

	1 Jun 12- 31 May 13	1 Jun 11- 31 May 12	1 Jun 10- 31 May 11	1 Jun 09- 31 May 10	1 Jun 08- 31 May 09
	%	%	%	%	%
Henderson China Opportunities Fund	21.4	(23.3)	12.4	31.8	(12.5)
MSCI AC Zhong Hua Index	22.0	(29.4)	29.8	23.2	(24.7)

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, net of fees, GBP.

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.

Significant portfolio changes for the year ended 31 May 2013

Purchases	£000	Sales	£000
China Mobile (Hong Kong)	35,723	Industrial & Commercial Bank of China	32,076
Tencent Holdings	32,941	CNOOC	31,491
China Petroleum & Chemical 'H'	31,030	Tencent Holdings	30,454
Ping An Insurance Company 'H'	28,514	PetroChina Company 'H'	28,964
Anhui Conch Cement	25,077	Anhui Conch Cement	27,363
Hutchison Whampoa	22,315	China Construction Bank	26,831
China Shenhua Energy	22,101	China Shenhua Energy	25,541
China Resources Power Holdings	20,962	Hutchison Whampoa	24,045
SINA	19,298	China Mobile (Hong Kong)	22,864
Sands China Ltd	18,913	China Life Insurance	22,685

Manager's report (continued)

In the year to 31 May 2013 the Fund returned 21.4% in sterling terms compared to the 22.0% return of the benchmark MSCI AC Zhong Hua. This return placed the Fund in the second quartile of the IMA Greater China sector over one year.

The market troughed at the end of May 2012, when it initially found valuation support, later receiving a boost from the confirmation of the new communist party leaders and accelerating macroeconomic indicators in the fourth quarter of 2012. Markets topped out in January at the same time as inflows into emerging market equity funds peaked. Chinese equity markets have been weaker and volatile since then as investors digested the potential end of quantitative easing (QE) in the west, which may affect investors' risk tolerance and prompt emerging market currencies weaker after years of appreciation.

At the sector level overweight positions in consumer discretionary, healthcare, and IT, all sectors close to the consumer, helped performance and outweighed underweights positions in utilities and financials, which hurt performance. At the stock level top contributors included the leading Chinese auto manufacturer Great Wall Motor Company, which is the prime beneficiary of Chinese consumers' newfound passion for sport utility vehicles (SUVs). Also driven by consumers' rising spending power, Macau casino operator MGM China Holdings and property developer Guangzhou R&F performed well after profits grew on strong demand for their services and products. Within the industrial area Beijing Enterprises Holdings rose as demand for its gas supplies accelerated as a greener alternative to burning more polluting coal. China National Chemical Engineering Warrants 06/02/14 rose as its order book for constructing coal-to-chemical plants swelled. Our holdings in internet software company Tencent Holdings (discussed below) and component supplier AAC Technologies Holdings profited from the rapid adoption of smartphones in China, which boosted their profit streams. Detractors included US listed Chinese stocks, which suffered a period of derating and in some cases weaker-than-expected profit growth due to rising costs including search engine Baidu, internet company Sina and education provider New Oriental. Not owning Hong Kong retail landlord Wharf, which is benefiting from rising rentals driven by greater visitation by mainland Chinese tourists, detracted from returns as did holdings in coal companies Yanzhou Coal and China Shenhua Energy both of which have since been sold on a stop-loss mechanism.

In the year we initially added cyclical to the portfolio in response to improving economic data such as rising manufacturing purchasing managers' index (PMI) surveys. We added a holding in cement manufacturer Anhui Conch and auto and construction glass producer Xinyi Glass Holdings. In the first quarter of 2013 we felt a number of companies were going to disappoint investors during the reporting season and this led to sales in the energy sector including Yanzhou Coal and index heavyweight oil stocks Petrochina and CNOOC, all of which subsequently continued to fall. We have been more active than normal in software company Tencent Holdings where we cut positions in January and February 2013 fearing increased investment in mobile internet platforms would push up costs and eat into profit margins. Our thesis was proved correct as the stock fell notably on reporting weak results in March. We visited the company in China in April and our conviction increased that the company still has an enviable position in PC internet and is in fact very well positioned to be the winner from the smartphone internet generation. Unlike many companies in China, Tencent Holdings can choose the rate at which it spends and invests and after years of profitable growth has the cash to emerge the winner. We chalked it up as a classic investment phase for a high quality growth company with a proven management team and we took our weight back up to 5%. The stock has since performed robustly and at end May 2013 represented 7.4% of the Fund.

In calendar year 2013 we have been driving up the quality of the companies held in the Fund focusing on balance sheet strength, cash flow generation, high margins, and the best management. This is based on our belief that in the current time of slower economic growth and continued cost pressure from rising wages the weakest companies will lose out while the strongest get stronger.

Comparative tables

Net asset value per share

	Net asset value of Fund (£)	Net asset value of shares (£)	Number of shares in issue	Net asset value per share (pence)
Class A accumulation				
31/05/2011	733,656,255	733,656,255	97,994,210	748.67
31/05/2012	494,266,818	493,235,439	86,154,330	572.50
31/05/2013	410,684,698	401,817,718	57,678,748	696.65
Class I accumulation*				
31/05/2012	494,266,818	1,030,183	1,321,149	77.98
31/05/2013	410,684,698	8,865,514	9,262,713	95.71
Class I USD accumulation**				
31/05/2012	494,266,818	1,196	203	589.16
31/05/2013	410,684,698	1,466	203	722.17

* Share class I accumulation launched on 27 July 2011.

** Share class I USD accumulation launched on 11 November 2011.

Comparative tables (continued)

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2008	1.01	687.52	300.35
2009	5.35	640.98	376.95
2010	2.52	783.55	580.07
2011	1.36	794.33	521.75
2012	2.95	662.48	542.10
2013	4.93 ⁺	714.49 [*]	633.02 [*]
Class I accumulation			
2011 ^{**}	–	100.04	70.73
2012	0.46	90.06	73.99
2013	1.33 ⁺	98.13 [*]	86.65 [*]

Calendar year	Net revenue (USD cents per share)	Highest price (USD cents per share)	Lowest price (USD cents per share)
Class I USD accumulation			
2011 ^{***}	–	1,022.86	925.06
2012	3.21	1,075.50	885.69
2013	13.69 ⁺	1,128.29 [*]	1,020.46 [*]

* to 31 May

+ to 31 July

** From 27 July 2011 to 31 December 2011.

*** From 11 November 2011 to 31 December 2011.

Ongoing charge figure

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. Ongoing charges are all expenses deducted from the assets of the Fund during the year, except for expenses that are explicitly excluded by regulation.

	2013 %	2012 %
Class A	1.80	1.79
Class I	0.90 [†]	1.09
Class I USD	1.10	1.08

The OCF is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR).

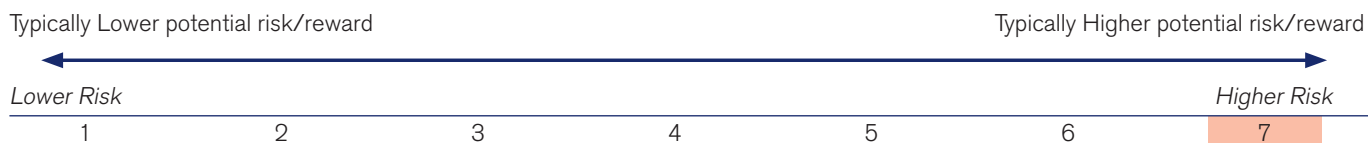
[†] From 1 August 2012, the annual management charge decreased from 1% to 0.75% and the general administration charge increased from 0.06% to 0.10%.

Risk and reward profile

The Fund currently has 3 types of shares in issue:

A accumulation, I accumulation and I USD accumulation.

The risk and reward profile is the same for each type of share and 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 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 single country
- As a category, shares are more volatile than either bonds or money market instruments
- The Fund focuses on countries that have less developed markets
- 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.

Since the issue of the KIID there have been no changes to the risk ratings in the year.

The Synthetic risk and reward indicator (SRRI) conforms to the CESR guidelines for the calculation of the SRRI.

Portfolio statement as at 31 May 2013

Holding	Investment	Market value £000	Percentage of total net assets %
CHINA – 36.93% (2012: 53.23%)			
Warrants – 4.26% (2012: 0.58%)			
456,553	Better Life Commercial Chain Share Warrants 17/01/14	1,212	0.30
6,231,350	China National Chemical Engineering Warrants 06/02/14	7,886	1.92
5,265,475	Daqin Railway Warrants 20/09/13	4,003	0.97
2,341,139	Yantai Wanhua Polyurethane Warrants 15/01/14	4,378	1.07
		<u>17,479</u>	<u>4.26</u>
Oil & Gas – 6.18% (2012: 7.55%)			
Oil & Gas Producers – 4.98% (2012: 5.55%)			
30,006,000	China Petroleum & Chemical 'H'	20,447	4.98
Oil Equipment & Services – 1.20% (2012: 2.00%)			
3,524,000	China Oilfield Services	4,929	1.20
Basic Materials – 0.00% (2012: 4.06%)			
Chemicals – 0.00% (2012: 1.05%)			
Mining – 0.00% (2012: 3.01%)			
Industrials – 3.59% (2012: 8.68%)			
Construction & Materials – 0.00% (2012: 2.87%)			
Electronic & Electrical Equipment – 1.35% (2012: 0.00%)			
1,461,000	AAC Technologies Holdings	5,524	1.35
Industrial Engineering – 2.24% (2012: 5.66%)			
13,069,000	China Liansu Group Holdings	4,975	1.21
1,743,000	Weichai Power Company	4,221	1.03
		<u>9,196</u>	<u>2.24</u>
Support Services – 0.00% (2012: 0.15%)			
Consumer Goods – 5.87% (2012: 4.93%)			
Automobiles & Parts – 5.87% (2012: 2.74%)			
15,694,000	Brilliance China Automotive Holdings	11,815	2.88
3,908,000	Great Wall Motor Company	12,286	2.99
		<u>24,101</u>	<u>5.87</u>
Beverages – 0.00% (2012: 2.19%)			

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
CHINA – continued			
Healthcare – 2.40% (2012: 1.50%)			
Pharmaceuticals & Biotechnology – 2.40% (2012: 1.50%)			
159,302	WuXi Pharmatech ADR	2,147	0.52
6,400,000	Shandong Weigao GP Medical 'H'	5,318	1.29
6,000,000	Sihuan Pharmaceutical Holdings	2,406	0.59
		9,871	2.40
Consumer Services – 8.60% (2012: 1.98%)			
General Retailers – 0.00% (2012: 1.02%)			
Travel & Leisure – 5.15% (2012: 0.96%)			
2,450,800	MGM China Holdings	4,290	1.04
4,858,400	Sands China Ltd	16,884	4.11
		21,174	5.15
Electricity – 3.45% (2012: 0.00%)			
40,254,000	Huadian Fuxin Energy Corporation Limited	7,969	1.94
9,192,000	Huaneng Power International	6,217	1.51
		14,186	3.45
Financials – 6.03% (2012: 20.26%)			
Banks – 4.61% (2012: 14.04%)			
35,311,850	China Construction Bank	18,932	4.61
Non-Life Insurance – 0.00% (2012: 2.56%)			
Life Insurance – 1.42% (2012: 2.03%)			
1,187,000	Ping An Insurance Company 'H'	5,829	1.42
Real Estate – 0.00% (2012: 1.63%)			
Technology – 0.00% (2012: 3.69%)			
Software & Computer Services – 0.00% (2012: 3.69%)			
HONG KONG – 62.12% (2012: 46.05%)			
Oil & Gas – 0.00% (2012: 6.77%)			
Oil & Gas Producers – 0.00% (2012: 6.77%)			
Basic Materials – 0.00% (2012: 0.01%)			
Mining – 0.00% (2012: 0.01%)			

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
HONG KONG – continued			
Industrials – 2.29% (2012: 3.71%)			
General Industrials – 2.29% (2012: 3.71%)			
772,500	Beijing Enterprise Holdings	4,181	1.02
3,928,000	CMPC Holdings	1,989	0.48
7,867,000	Greatview Aseptic Packaging	3,229	0.79
		<u>9,399</u>	<u>2.29</u>
Consumer Goods – 8.26% (2012: 6.81%)			
Automobiles & Parts – 4.13% (2012: 0.00%)			
2,701,000	Johnson Electric Holdings	1,168	0.28
5,228,000	Tianneng Power International	1,994	0.49
24,182,000	Xinyi Glass Holdings	13,787	3.36
		<u>16,949</u>	<u>4.13</u>
Food Producers – 0.00% (2012: 0.30%)			
Household Goods – 1.37% (2012: 0.00%)			
3,274,500	Samsonite International	5,634	1.37
Personal Goods – 2.76% (2012: 6.51%)			
610,000	Hengan International	4,429	1.08
1,085,700	Prada	6,891	1.68
		<u>11,320</u>	<u>2.76</u>
Healthcare – 0.53% (2012: 0.00%)			
Pharmaceuticals & Biotechnology – 0.53% (2012: 0.00%)			
1,718,000	China Shineway Pharmaceutical	2,175	0.53
Consumer Services – 5.47% (2012: 5.52%)			
General Retailers – 0.94% (2012: 1.73%)			
11,636,000	Springland International Holdings	3,856	0.94
Food & Drug Retailers – 2.12% (2012: 0.00%)			
9,300,000	Sun Art Retail	8,692	2.12
Media – 0.00% (2012: 1.23%)			
Travel & Leisure – 2.41% (2012: 2.56%)			
3,800,000	MTR Corporation	9,896	2.41

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
HONG KONG – continued			
Telecommunications – 5.04% (2012: 3.55%)			
Fixed Line Telecommunications – 0.53% (2012: 0.00%)			
2,865,000	HKT Trust and HKT Ltd	2,196	0.53
Mobile Telecommunications – 4.51% (2012: 3.55%)			
2,652,000	China Mobile (Hong Kong)	18,522	4.51
Utilities – 4.08% (2012: 1.10%)			
Electricity – 3.15% (2012: 0.00%)			
7,466,000	China Resources Power Holdings	12,941	3.15
Gas, Water & Multiutilities – 0.93% (2012: 1.10%)			
1,040,000	ENN Energy Holdings	3,835	0.93
Financials – 24.63% (2012: 11.85%)			
Banks – 2.00% (2012: 0.56%)			
3,731,500	BOC Hong Kong Holdings	8,228	2.00
Life Insurance – 7.72% (2012: 4.83%)			
10,853,400	AIA	31,723	7.72
Real Estate – 12.80% (2012: 6.06%)			
1,833,000	Cheung Kong Holdings	17,101	4.16
7,162,000	China Overseas Land & Investments	14,057	3.42
2,614,000	China Resources Land	5,253	1.28
98,890,000	CSI Properties	2,857	0.70
5,514,000	New World Development	5,772	1.41
38,734,000	Yuexiu Property	7,537	1.83
		52,577	12.80
Financial Services – 2.11% (2012: 0.40%)			
9,852,000	Value Partners	3,792	0.92
13,259,000	Yuexiu Real Estates Investment Trust	4,889	1.19
		8,681	2.11

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
HONG KONG – continued			
Technology – 11.82% (2012: 6.73%)			
Software & Computer Services – 7.40% (2012: 3.74%)			
1,162,900	Tencent Holdings	30,374	7.40
Technology Hardware & Equipment – 4.42% (2012: 2.99%)			
935,100	ASM Pacific Technology	7,433	1.81
15,842,000	Lenovo	10,701	2.61
		18,134	4.42
		406,800	99.05
	Investments assets		
	Net other assets	3,885	0.95
	Net assets	410,685	100.00

Statement of total return for the year ended 31 May 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Income					
Net capital gains/(losses)	2		86,453		(167,768)
Revenue	4	12,371		14,243	
Expenses	5	(8,322)		(10,893)	
Finance costs: Interest	7	(15)		(4)	
Net revenue before taxation		4,034		3,346	
Taxation	6	(736)		(930)	
Net revenue after taxation			3,298		2,416
Total return before distributions			89,751		(165,352)
Finance costs: Distributions	7		(4,316)		(2,915)
Change in net assets attributable to shareholders from investment activities			85,435		(168,267)

Statement of change in net assets attributable to shareholders for the year ended 31 May 2013

		2013		2012	
		£000	£000	£000	£000
Opening net assets attributable to shareholders			494,267		733,656
Amounts receivable on issue of shares		6,894		91,881	
Amounts payable on cancellation of shares		(119,754)		(166,013)	
Amounts payable on in specie cancellation of shares		(59,951)		–	
			(172,811)		(74,132)
Change in net assets attributable to shareholders from investment activities (see above)			85,435		(168,267)
Retained distributions on accumulation shares			3,794		3,010
Closing net assets attributable to shareholders			410,685		494,267

Balance sheet as at 31 May 2013

		2013		2012	
	Notes	£000	£000	£000	£000
Assets					
Investment assets			406,800		490,698
Debtors	8	12,213		4,111	
Cash and bank balances	9	7,828		8,844	
Total other assets			<u>20,041</u>	<u>8,844</u>	<u>12,955</u>
Total assets			426,841		503,653
Liabilities					
Creditors	10	(14,556)		(6,876)	
Bank overdrafts		<u>(1,600)</u>		<u>(2,510)</u>	
Total liabilities			(16,156)		(9,386)
Net assets attributable to shareholders			<u>410,685</u>		<u>494,267</u>

1 Accounting policies

The accounting, distribution and risk management policies are set out in notes 1 to 3 of the aggregated financial statements on pages 10 to 14.

2 Net capital gains/(losses)

The net gains/(losses) on investments during the year comprise:

	2013	2012
	£000	£000
Capital special dividend	–	653
Forward foreign currency contracts	(1)	–
Non-derivative securities	87,877	(168,500)
Other currency gains	(381)	197
Transaction costs	(42)	(118)
Net capital gains/(losses)	86,453	(167,768)

3 Portfolio transaction costs

	2013	2012
	£000	£000
Purchases in year before transaction costs	879,611	897,835
Commissions	1,619	1,761
Taxes and other transfer charges	851	793
Total purchase transaction costs*	2,470	2,554
Purchases including transaction costs	882,081	900,389
Sales in year before transaction costs	1,056,015	979,075
Commissions	(1,872)	(1,682)
Taxes and other transfer charges	(962)	(899)
Total sale transaction costs*	(2,834)	(2,581)
Sales net of transaction costs	1,053,181	976,494
Transaction handling charges*	42	118

* These amounts have been deducted in determining net capital gains/(losses).

Notes to the financial statements (continued)

4 Revenue

	2013	2012
	£000	£000
Bank interest	3	4
Overseas dividends	11,836	13,675
UK dividends	9	–
Stock dividends	40	–
Securities lending revenue	483	564
Total revenue	12,371	14,243

5 Expenses

	2013	2012
	£000	£000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's periodic charge	6,978	9,241
Administration fee	–	105
General administration charge (see note 1g)*	1,116	1,291
	8,094	10,637
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	48	63
Safe custody fee	123	174
	171	237
Other expenses:		
Audit fee	–	2
Dividend collection expenses	57	13
Report & Accounts fee	–	4
	57	19
Total expenses	8,322	10,893

* The current year audit fee is £12,030 (2012: £12,030). The audit fee levied through the GAC charge is £12,030 (2012: £10,830).

Notes to the financial statements (continued)

6 Taxation

(a) Analysis of charge in year

The tax charge comprises:

	2013	2012
	£000	£000
Overseas tax	736	930
Total current tax for year (Note 6b)	736	930
Deferred tax (Note 6c)	–	–
Total taxation	736	930

(b) Factors affecting current tax charge for the year

The tax assessed for the year is different to the standard rate of Corporation tax in the UK for authorised open-ended investment companies (OEICs) of 20%. The differences are explained below:

	2013	2012
	£000	£000
Net revenue before taxation	4,034	3,346
Corporation tax at 20% (2012: 20%)	807	669
Effects of:		
Current year expenses not utilised	1,489	2,066
Irrecoverable overseas tax	736	930
Revenue not subject to taxation	(2,296)	(2,735)
Current tax charge for year (Note 6a)	736	930

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2012: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £7,430,000 (2012: £5,941,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Finance costs

Distributions and interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2013	2012
	£000	£000
Interim Accumulation Dividend Distribution	3,763	3,004
Final Accumulation Dividend Distribution	31	6
	<u>3,794</u>	<u>3,010</u>
Amounts deducted on cancellation of shares	562	298
Amounts received on issue of shares	(40)	(393)
Finance costs: Distributions	<u>4,316</u>	<u>2,915</u>
Finance costs: Interest	15	4
Total finance costs	<u>4,331</u>	<u>2,919</u>
Net revenue after taxation	3,298	2,416
Stock dividend treated as capital	(40)	–
A Accumulation revenue deficit transferred to the capital account for the year ended 31 May 2013	1,051	499
Equalisation on conversions	7	–
Finance costs: Distributions	<u>4,316</u>	<u>2,915</u>

8 Debtors

	2013	2012
	£000	£000
Accrued revenue	1,250	2,822
Amounts receivable for issue of shares	176	92
Currency transactions awaiting settlement	3,512	–
Sales awaiting settlement	7,275	1,197
Total debtors	<u>12,213</u>	<u>4,111</u>

9 Cash and bank balances

	2013	2012
	£000	£000
Cash and bank balances	7,828	8,844
Total cash and bank balances	<u>7,828</u>	<u>8,844</u>

Notes to the financial statements (continued)

10 Creditors

	2013	2012
	£000	£000
Accrued ACD periodic charge	523	668
Accrued expenses	102	140
Amounts payable for cancellation of shares	1,744	991
Currency transactions awaiting settlement	3,502	–
Purchases awaiting settlement	8,328	5,077
Amounts payable to brokers	357	–
Total creditors	14,556	6,876

11 Securities Lending

The Fund and the Investment Manager have entered into a securities lending programme with HSBC Securities Services acting as the Securities Lending Agent for the purposes of efficient portfolio management and in order to generate income.

Securities lending revenue is disclosed under 'Revenue' in the Statement of total return. The gross securities lending revenue for the year was £603,762 with expenses of £120,752 deducted to give net securities lending revenue of £483,010 (2012: £564,039).

There is no stock on loan at the current year end (2012: £54,856,000). Consequently there is no collateral held at the current year end (2012: £72,483,502).

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current year end (2012: nil).

13 Related party transactions

The Financial Reporting Standard number 8 (FRS 8) on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS 8 the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 66 and 67 and notes 5, 8 and 10 on pages 69 to 72 including all creations and cancellations where the ACD acted as principal.

Cofunds Nominees Limited, as a material shareholder, is a related party with a 15.98% shareholding (2012: 12.65%).

FIL (Luxembourg) SA, as a material shareholder, is a related party with a 16.51% shareholding (2012: 13.85%).

Skandia Life Assurance Company Limited, as a material shareholder, is a related party with a 9.10% shareholding. (2012: 13.40%).

Material transactions throughout the year such as creations and cancellations for these shareholders are included in the Statement of change in net assets attributable to shareholders.

Notes to the financial statements (continued)

14 Shareholder funds

The Fund currently has 3 share classes, Class A (Retail with front-end charges), Class I (Institutional) and Class I USD (Institutional USD). The annual management charge (AMC) on each share class is as follows:

Class A	1.50%
Class I	0.75%
Class I USD	1.00%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 57. The distribution per share class is given in the distribution tables on page 74. All share classes have the same rights on winding up.

15 Risk disclosures

Risk policies in respect of financial assets and liabilities are set out in note 3 of the aggregated financial statements on pages 13 and 14.

Currency risk

Net currency monetary assets and liabilities consist of:

	Investment assets £000	Net other assets £000	Net assets £000
Currency			
2013			
Chinese yuan	–	332	332
Euro	–	82	82
Hong Kong dollars	387,174	836	388,010
UK sterling	–	533	533
US dollar	19,626	2,102	21,728
Total	406,800	3,885	410,685
2012			
Chinese yuan	–	1,222	1,222
Euro	–	79	79
Hong Kong dollar	443,558	1,440	444,998
UK sterling	–	828	828
US dollar	47,140	–	47,140
Total	490,698	3,569	494,267

Distribution tables for the year ended 31 May 2013 (in pence per share)

Interim dividend distribution (accounting date 30 November 2012, paid on 31 January 2013)

Group 1: shares purchased prior to 1 June 2012

Group 2: shares purchased on or after 1 June 2012

	Net revenue	Equalisation	Distribution paid 31/01/13	Distribution paid 31/01/12
Class A accumulation				
Group 1	4.929	–	4.929	2.950
Group 2	–	4.929	4.929	2.950
Class I accumulation*				
Group 1	0.995	–	0.995	–
Group 2	–	0.995	0.995	–
Class I USD accumulation (in USD cents)**	11.688	–	11.688	–

Final dividend distribution (accounting date 31 May 2013, payable on 31 July 2013)

Group 1: shares purchased prior to 1 December 2012

Group 2: shares purchased on or after 1 December 2012

	Net revenue	Equalisation	Distribution payable 31/07/13	Distribution paid 31/07/12
Class A accumulation	–	–	–	–
Class I accumulation				
Group 1	0.338	–	0.338	0.455
Group 2	0.319	0.019	0.338	0.455
Class I USD accumulation (in USD cents)	1.998	–	1.998	3.206

* Class I launched 27 July 2011.

** Class I USD launched 11 November 2011.

Henderson Emerging Markets Opportunities Fund

Manager's report

Fund Manager

Chris Palmer

Investment objective and policy

The Fund aims to achieve a long-term return, in excess of the long-term return that is typically achieved from emerging equity markets by investing predominantly in companies having their registered office in emerging markets and companies that do not have their registered office in emerging markets but either (i) carry out a predominant proportion of their business activity in these markets, or (ii) are holding companies which predominantly own companies with registered offices in emerging markets.

In this context, the term "emerging markets" means countries included in the MSCI World Emerging Markets Index and/or those included in the World Bank definition of developing economies or those countries which are, in the Investment Manager's opinion, developing countries.

The Fund may also invest in American Depositary Receipts ("ADRs") investing in securities issued by companies incorporated in emerging markets or in any similar listed securities of emerging companies.

The return will be a combination of capital and income returns.

The Fund may also invest at the Manager's discretion in other transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in the stated investment and borrowing powers of the Fund).

Performance summary

	1 Jun 12- 31 May 13	1 Jun 11- 31 May 12	1 Jun 10- 31 May 11	1 Jun 09- 31 May 10	1 Jun 08- 31 May 09
	%	%	%	%	%
Henderson Emerging Markets Opportunities Fund	16.0	(18.0)	13.8	29.5	(30.8)
MSCI Emerging Markets Free Index	16.2	(14.5)	14.0	36.2	(19.3)

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, net of fees, GBP. 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.

Significant portfolio changes for the year ended 31 May 2013

Purchases	£000	Sales	£000
China Construction Bank	5,447	CNOOC	5,872
China Petroleum & Chemical 'H'	5,120	Mexichem	4,342
Tencent Holdings	3,852	Tata Motors ADR	3,944
Fomento Economico Mexicano	3,631	Petrobras	3,907
Erste Bank	3,469	Wal-Mart de Mexico S.A.	3,868
Wipro	3,422	America Movil ADR	3,846
Lenovo	3,356	Astra International	3,331
Pakuwon Jati	3,132	PICC Property & Casualty	3,138
BR Properties	3,037	TSRC	3,097
China Resources Power Holdings	2,889	Sabesp On	3,092

Manager's report (continued)

The Fund's net asset value (NAV) increased in the period under review by 16% in sterling terms, performing in line with the benchmark return of the MSCI Emerging Markets Index. Emerging market equity returns generally trailed those of developed markets during the period under review, with the MSCI World Index rising over 30% in sterling terms, led by Japanese and US equity markets. Within the global emerging markets, shares in the Asian markets generally outperformed, led by smaller markets such as the Philippines, which rose over 40%. Latin American shares generally trailed the performance of other emerging markets, with Peru dropping over 13%.

During the twelve months under review emerging markets initially rose sharply as coordinated global central bank efforts to boost liquidity began to bear fruit. Risk aversion diminished throughout the second half of calendar 2012 as Europe's financial woes began to appear manageable and the US economy began to grow. In the emerging markets there was renewed hope that China's political transition would result in higher rates of economic growth; a growth boost which could have widespread positive implications for China's key trading partners within the emerging markets. Likewise a series of central bank interest rate cuts in many markets such as Brazil, Mexico, Thailand and Korea were also intended to further boost domestic economic growth going into calendar 2013. During the first few months of 2013 it became increasingly evident that while the US and Japanese economies were responding with increasing vigour to central bank monetary stimulus, growth in emerging markets had begun to stagnate. China's new political leadership had been more cautious in promoting the traditional growth engines of heavy industry and infrastructure. In other markets such as those of Latin America and Africa, China's slowdown became a direct concern of those economies with a strong exposure to commodities. Asia proved more resilient during this period as the one key export market — the US — was in fact accelerating, benefiting the region's many electronics and textile exporting manufacturers.

Over the reporting period the Fund benefited from its overweight position in consumer shares as well as an overweight position in the financial sector. Consumer shares in the global emerging markets continued to benefit in those countries such as Russia, Brazil, and Indonesia where interest rates remained low and the general pace of wage gains promoted higher levels of consumption and retail activity. One stock with notable performance during the period under review was Russian hypermarket operator Magnit, whose operational growth and sales continue to expand at a pace well in excess of the growth rate of the Russian economy. Two sectors where returns were disappointing were energy and materials; where global commodity price weakness and spiralling investment budgets continued to weigh on results. One stock notable in its underperformance was Exxaro Resources a South African coal and metals mining company, whose shares fell sharply as global coal and iron ore price retreated.

The Fund reduced its exposure to cyclical sectors such as mining, industrial, and energy related stocks; while boosting exposure to consumer related shares, particularly in the retailing and automobile industries. One addition of note was Great Wall Motor Company, a Chinese automobile company specialising in sport utility vehicles (SUVs), which compete favourably with many western brands. One stock disposed during the period was Korea Zinc, a precious metals smelting company whose earnings drivers are closer linked to the underlying supply and demand factors for gold and silver.

The Fund continues to favour consumer related shares in the emerging markets and remains underweight in the cyclical sectors of energy and materials. Interest rates now appear to be on the rise globally as central banks appear to be eager to normalise monetary policy; this general rise in interest rates presents some headwinds to those cyclical companies with leveraged balance sheets. Higher global rates of interest could elevate the cost of capital in many emerging markets, leading us to believe that investors will be more discerning amongst those countries at risk due to high foreign debt burdens, or burgeoning balance of payments challenges. However, we remain cautiously optimistic that global central bank policy shifts will be both gradual and well communicated, and that periods of volatility will be relatively short lived.

Comparative tables as at 31 May 2013

Net asset value per share

	Net asset value of Fund (£)	Net asset value of shares (£)	Number of shares in issue	Net asset value per share (pence)
Class A accumulation				
31/05/2011	310,281,904	299,253,681	184,845,073	161.89
31/05/2012	222,114,621	217,668,406	163,405,101	133.21
31/05/2013	222,512,627	200,038,081	130,051,350	153.81
Class C accumulation				
31/05/2011	310,281,904	11,028,223	2,376,340	464.08
31/05/2012	222,114,621	4,446,215	1,150,915	386.32
31/05/2013	222,512,627	20,133,260	4,460,402	451.38
Class I accumulation*				
31/05/2013	222,512,627	2,341,286	2,131,402	109.85

* Class I accumulation launched on 1 August 2012.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2008	0.56	163.98	73.67
2009	1.02	140.11	80.54
2010	0.18	171.49	130.15
2011	0.40	174.16	122.56
2012	1.40	153.05	129.58
2013	0.50 ⁺	165.78*	151.27*
Class C accumulation			
2008	5.04	457.05	206.02
2009	5.11	396.06	226.02
2010	4.22	489.54	368.26
2011	5.52	497.26	352.70
2012	8.85	442.75	375.64
2013	6.65 ⁺	485.23*	441.76*
Class I accumulation			
2012**	–	106.94	96.85
2013	0.86 ⁺	118.16*	107.63*

* to 31 May

+ to 31 July

** From 1 August 2012 to 31 December 2012.

Ongoing charge figure

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. Ongoing charges are all expenses deducted from the assets of the Fund during the year, except for expenses that are explicitly excluded by regulation.

	2013 %	2012 %
Class A	1.82	1.82
Class C	0.64	0.66
Class I*	0.93	n/a

The OCF is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR).

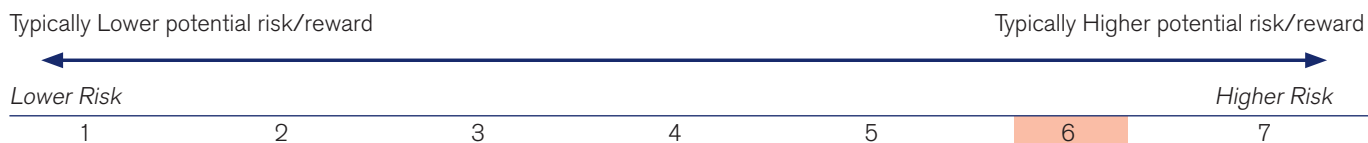
* Class I launched on 1 August 2012.

Risk and reward profile

The Fund currently has 3 types of shares in issue:

A accumulation, C accumulation and I accumulation.

The risk and reward profile is the same for each type of share and 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 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 more volatile than either bonds or money market instruments
- The Fund focuses on countries that have less developed markets
- 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.

Since the issue of the KIID there have been no changes to the risk ratings in the year.

The Synthetic risk and reward indicator (SRRI) conforms to the CESR guidelines for the calculation of the SRRI.

Portfolio statement as at 31 May 2013

Holding	Investment	Market value £000	Percentage of total net assets %
AUSTRIA – 2.35% (2012: 0.00%)			
244,500	Erste Bank	5,227	2.35
BRAZIL – 9.96% (2012: 15.29%)			
347,800	BR Properties	2,259	1.01
464,196	Cia De Concessoes Rodoviaras	2,780	1.25
168,840	Companhia Brasileira de Distribuicao preference 'A' shares	5,399	2.43
12	Companhia Brasileira de Distribuicao preference 'A' right shares	–	–
186,162	Companhia de Bedidas das Americas ADR	4,673	2.10
316,156	Companhia Vale do Rio Doce preference 'A' shares	2,802	1.26
153,100	Cosan SA Industria e Comercio	2,219	1.00
290,200	CPFL Energia ADR preference shares	2,020	0.91
		22,152	9.96
CAYMAN ISLANDS – 4.82% (2012: 3.62%)			
139,241	Eurasia Drilling GDR	3,781	1.70
866,800	Sands China	3,012	1.35
150,700	Tencent Holdings	3,936	1.77
		10,729	4.82
CHINA – 7.29% (2012: 6.89%)			
21,311,700	China Construction Bank	11,426	5.13
1,490,600	Great Wall Motor Company	4,686	2.11
376,009	PICC Property & Casualty	122	0.05
		16,234	7.29
COLOMBIA – 0.00% (2012: 1.10%)			
HONG KONG – 12.42% (2012: 8.58%)			
1,629,600	AIA	4,763	2.14
1,622,600	China Overseas Land & Investment	3,185	1.43
1,606,000	China Resources Power Holdings	2,784	1.25
5,714,200	Lenovo	3,860	1.74
1,061,349	Link REIT	3,625	1.63
4,680,000	TCL International Holdings	2,585	1.16
365,200	Prada	2,318	1.04
6,622,000	Sinopec Corp 'H'	4,512	2.03
		27,632	12.42

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
INDIA – 5.22% (2012: 4.72%)			
164,400	ACC	2,340	1.05
404,384	Canara Bank	1,945	0.87
1,429,900	Idea Cellular	2,188	0.98
237,700	Kotak Mahindra Bank	2,173	0.98
778,009	Wipro	2,977	1.34
		<u>11,623</u>	<u>5.22</u>
INDONESIA – 3.95% (2012: 2.86%)			
3,861,990	Bank Mandiri	2,523	1.13
1,485,000	Indocement Tunggal Prakarsa	2,375	1.07
137,426,000	Pakuwon Jati	3,887	1.75
		<u>8,785</u>	<u>3.95</u>
KOREA – 9.59% (2012: 12.88%)			
31,823	Hyundai Motor	3,939	1.77
112,200	KT SkyLife	2,601	1.17
9,457	LG Household & Healthcare	3,445	1.55
12,637	Samsung Electronics	11,348	5.10
		<u>21,333</u>	<u>9.59</u>
MALAYSIA – 2.62% (2012: 2.54%)			
2,110,900	Axiata Group Berhad	3,028	1.36
1,584,300	CIMB Group Holdings	2,792	1.26
		<u>5,820</u>	<u>2.62</u>
MEXICO – 6.59% (2012: 6.97%)			
495,700	Fomento Economico Mexicano	3,533	1.59
1,878,428	Genomma Lab Internacional 'B'	2,617	1.18
900,564	Grupo Financiero Banorte	3,768	1.69
2,179,447	Grupo Mexico 'B'	4,734	2.13
		<u>14,652</u>	<u>6.59</u>
PHILIPPINES – 1.97% (2012: 1.23%)			
76,659,200	Megaworld	4,390	1.97
POLAND – 0.86% (2012: 0.84%)			
169,591	Kernel Holding S.A.	1,924	0.86

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
RUSSIA – 9.52% (2012: 8.55%)			
44,037	Magnit	6,510	2.93
239,600	Mobile TeleSystems OJSC ADR	3,044	1.37
1,332,559	Sberbank	2,722	1.22
190,100	Gazprom Neft ADR	2,420	1.09
130,389	Sollers	1,936	0.87
96,013	Tatneft GDR	2,201	0.99
98,314	Uralkaliy GDR	2,344	1.05
		<u>21,177</u>	<u>9.52</u>
SOUTH AFRICA – 5.32% (2012: 7.77%)			
834,200	AVI	3,037	1.36
859,000	Life Healthcare	2,056	0.92
507,979	Mr Price	4,267	1.92
207,813	MTN	2,481	1.12
		<u>11,841</u>	<u>5.32</u>
SWITZERLAND – 1.70% (2012: 1.27%)			
640,077	Richemont S.A.	3,783	1.70
TAIWAN – 7.95% (2012: 9.09%)			
1,077,000	Cheng Shin Rubber Industry	2,130	0.96
1,810,600	Farglory Land Development	2,255	1.01
3,261,010	Fubon Financial Holding	2,854	1.28
2,195,030	Hon Hai Precision Industry	3,711	1.67
2,791,800	Taiwan Semiconductor Manufacturing ADR	6,739	3.03
		<u>17,689</u>	<u>7.95</u>
THAILAND – 1.83% (2012: 2.35%)			
912,400	Bangkok Bank	4,075	1.83
TURKEY – 3.97% (2012: 2.56%)			
112,230	BIM Birlesik Magazalar AS	3,482	1.57
466,400	Tofas Turk Otomobil Fabrikasi AS	2,295	1.03
896,060	Garanti Bankasi	3,056	1.37
		<u>8,833</u>	<u>3.97</u>
	Investments assets	217,899	97.93
	Net other assets	4,614	2.07
	Net assets	222,513	100.00

Statement of total return for the year ended 31 May 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Income					
Net capital gains/(losses)	2		30,867		(55,017)
Revenue	4	5,580		8,028	
Expenses	5	(3,882)		(4,608)	
Finance costs: Interest	7	(7)		(8)	
Net revenue before taxation		1,691		3,412	
Taxation	6	(559)		(685)	
Net revenue after taxation			1,132		2,727
Total return before distributions			31,999		(52,290)
Finance costs: Distributions	7		(990)		(2,649)
Change in net assets attributable to shareholders from investment activities			31,009		(54,939)

Statement of change in net assets attributable to shareholders for the year ended 31 May 2013

	2013		2012	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		222,115		310,282
Amounts receivable on issue of shares	23,501		5,801	
Amounts payable on cancellation of shares	(55,010)		(41,594)	
		(31,509)		(35,793)
Stamp duty reserve tax		–		(2)
Change in net assets attributable to shareholders from investment activities (see above)		31,009		(54,939)
Retained distributions on accumulation shares		898		2,567
Closing net assets attributable to shareholders		222,513		222,115

Balance sheet as at 31 May 2013

		2013		2012	
	Notes	£000	£000	£000	£000
Assets					
Investment assets			217,899		220,145
Debtors	8	4,393		2,044	
Cash and bank balances	9	6,082		1,443	
Total other assets			<u>10,475</u>	<u>3,487</u>	
Total assets			228,374		223,632
Liabilities					
Creditors	10	(5,600)		(658)	
Bank overdraft		<u>(261)</u>		<u>(859)</u>	
Total liabilities			(5,861)		(1,517)
Net assets attributable to shareholders			<u>222,513</u>		<u>222,115</u>

Notes to the financial statements as at 31 May 2013

1 Accounting policies

The accounting, distribution and risk management policies are set out in notes 1 to 3 of the aggregated financial statements on pages 10 to 14.

2 Net capital gains/(losses)

The net gains/(losses) on investments during the year comprise:

	2013	2012
	£000	£000
Non-derivative securities	31,209	(54,538)
Other currency losses	(319)	(422)
Transaction costs	(23)	(57)
Net capital gains/(losses)	30,867	(55,017)

3 Portfolio transaction costs

	2013	2012
	£000	£000
Purchases in year before transaction costs	106,087	118,433
Commissions	192	299
Taxes and other transfer charges	67	64
Total purchase transaction costs*	259	363
Purchases including transaction costs	106,346	118,796
Sales in year before transaction costs	140,101	152,103
Commissions	(238)	(291)
Taxes and other transfer charges	(145)	(187)
Total sale transaction costs*	(383)	(478)
Sales net of transaction costs	139,718	151,625
Transaction handling charges*	23	57

* These amounts have been deducted in determining net capital gains/(losses).

Notes to the financial statements (continued)

4 Revenue

	2013	2012
	£000	£000
Overseas dividends	5,331	7,842
Securities lending revenue	82	90
Stock dividends	167	96
Total revenue	5,580	8,028

5 Expenses

	2013	2012
	£000	£000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's periodic charge	3,218	3,848
Administration fee	–	45
General administration charge (see note 1g)*	512	535
	3,730	4,428

Payable to the Depositary, associates of the Depositary and agents of either of them:

Depositary fee	25	29
Dividend collection fee	15	22
Safe custody fee	108	126
	148	177

Other expenses:

Legal fee	4	–
Professional fee	–	1
Report & Accounts fee	–	2
	4	3

Total expenses	3,882	4,608
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* The current year audit fee is £12,030 (2012: £12,030). The audit fee levied through the GAC charge is £12,030 (2012: £11,530).

Notes to the financial statements (continued)

6 Taxation

(a) Analysis of charge in year

The tax charge comprises:

	2013	2012
	£000	£000
Overseas tax	559	685
Total current tax for year (Note 6b)	559	685
Deferred tax (Note 6c)	–	–
Total taxation	559	685

(b) Factors affecting current tax charge for the year

The tax assessed for the year is different to the standard rate of Corporation tax in the UK for authorised open-ended investment companies (OEICs) of 20%. The differences are explained below:

	2013	2012
	£000	£000
Net revenue before taxation	1,691	3,412
Corporation tax at 20% (2012: 20%)	338	683
Effects of:		
Current year expenses not utilised	572	653
Irrecoverable overseas tax	559	685
Revenue not subject to taxation	(892)	(1,308)
Tax relief on overseas tax suffered	(18)	(28)
Current tax charge for year (Note 6a)	559	685

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2012: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £2,690,000 (2012: £2,118,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Finance costs

Distributions and interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2013	2012
	£000	£000
Interim Accumulation Dividend Distribution	763	1,754
Final Accumulation Dividend Distribution	135	813
	<u>898</u>	<u>2,567</u>
Amounts deducted on cancellation of shares	103	94
Amounts received on issue of shares	(11)	(12)
Finance costs: Distributions	<u>990</u>	<u>2,649</u>
Finance costs: Interest	7	8
Total finance costs	<u>997</u>	<u>2,657</u>
Net revenue after taxation	1,132	2,727
Movement in net revenue property	1	(1)
Income deficit transferred to the capital account	3	–
Stock dividend treated as capital	(167)	(96)
Withholding tax on stock dividends	21	19
Finance costs: Distributions	<u>990</u>	<u>2,649</u>

8 Debtors

	2013	2012
	£000	£000
Accrued revenue	722	1,035
Amounts receivable for issue of shares	64	–
Currency transactions awaiting settlement	273	–
Overseas tax recoverable	10	–
Sales awaiting settlement	3,324	1,009
Total debtors	<u>4,393</u>	<u>2,044</u>

9 Cash and bank balances

	2013	2012
	£000	£000
Cash and bank balances	6,082	1,443
Total cash and bank balances	<u>6,082</u>	<u>1,443</u>

Notes to the financial statements (continued)

10 Creditors

	2013	2012
	£000	£000
Accrued ACD periodic charge	271	285
Accrued expenses	58	68
Currency transactions awaiting settlement	274	–
Amounts payable for cancellation of shares	106	305
Purchases awaiting settlement	4,891	–
Total creditors	5,600	658

11 Securities lending

The Fund and the Investment Manager have entered into a securities lending programme with HSBC Securities Services acting as the Securities Lending Agent for the purposes of efficient portfolio management and in order to generate income.

Securities lending revenue is disclosed under 'Revenue' in the Statement of total return. The gross securities lending revenue for the year was £103,124 with expenses of £20,625 deducted to give net securities lending revenue of £82,499 (2012: £89,886).

There is no stock on loan at the current year end (2012: £3,287,000). Consequently there is no collateral held at the current year end (2012: £4,408,131).

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current year end (2012: nil).

13 Related party transactions

The Financial Reporting Standard number 8 ("FRS 8") on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS 8 the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 83 and 84 and notes 5, 8 and 10 on pages 86 to 89 including all creations and cancellations where the ACD acted as principal.

Aviva Life and Pensions UK Limited, as a material shareholder, is a related party with a 12.24% shareholding (2012: 11.43%).

Material transactions throughout the year such as creations and cancellations for this shareholder are included in the Statement of change in net assets attributable to shareholders.

14 Shareholder funds

The Fund currently has 3 share classes, Class A (Retail with front-end charges), Class I (Institutional) and Class C (Private). The annual ACD's periodic charge on each share class is as follows:

Class A	1.50%
Class I	0.75%
Class C	0.50%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 77. The distribution per share class is given in the distribution tables on page 91. All share classes have the same rights on winding up.

Notes to the financial statements (continued)

15 Risk disclosures

Risk policies in respect of financial assets and liabilities are set out in note 3 of the aggregated financial statements on pages 13 and 14.

Currency risk

Net currency monetary assets and liabilities consist of:

	Investment assets including investment liabilities £000	Net other assets/ (liabilities) £000	Net assets £000
Currency			
2013			
Argentine peso	–	166	166
Brazilian real	17,479	95	17,574
Chinese yuan	–	82	82
Euro	5,227	41	5,268
Hong Kong dollar	50,814	–	50,814
Indian rupee	11,623	(295)	11,328
Indonesian rupiah	8,785	–	8,785
Korean won	21,333	–	21,333
Malaysian ringgit	5,820	121	5,941
Mexican peso	14,652	–	14,652
Phillipino peso	4,390	–	4,390
Polish zloty	1,924	–	1,924
Russian rouble	–	223	223
South African rand	15,624	–	15,624
Swiss franc	–	5	5
Taiwanese dollar	17,689	2,040	19,729
Thai baht	4,075	–	4,075
Turkish lira	8,833	–	8,833
UK sterling	–	1,771	1,771
US dollar	29,631	365	29,996
Total	217,899	4,614	222,513
2012			
Argentine peso	–	193	193
Brazilian real	23,943	169	24,112
Chinese yuan	–	108	108
Euro	–	20	20
Hong Kong dollar	36,847	84	36,931
Indian rupee	8,806	1	8,807
Indonesian rupiah	6,361	99	6,460
Korean won	28,605	–	28,605
Malaysian ringgit	5,633	79	5,712
Mexican peso	12,530	59	12,589
Phillipino peso	2,738	–	2,738
Polish zloty	1,872	–	1,872
Russian rouble	349	73	422
South African rand	20,082	–	20,082
Taiwanese dollar	20,187	1,251	21,438
Thai baht	5,221	–	5,221
Turkish lira	5,678	–	5,678
UK sterling	–	(506)	(506)
US dollar	41,293	340	41,633
Total	220,145	1,970	222,115

Distribution tables for the year ended 31 May 2013 (in pence per share)

Interim dividend distribution (accounting date 30 November 2012, paid on 31 January 2013)

Group 1: shares purchased prior to 1 June 2012

Group 2: shares purchased on or after 1 June 2012

	Net revenue	Equalisation	Distribution paid 31/01/13	Distribution paid 31/01/12
Class A accumulation				
Group 1	0.503	–	0.503	0.924
Group 2	0.065	0.438	0.503	0.924
Class C accumulation				
Group 1	3.871	–	3.871	5.050
Group 2	2.750	1.121	3.871	5.050
Class I accumulation*				
Group 1	0.331	–	0.331	n/a
Group 2	0.028	0.303	0.331	n/a

Final dividend distribution (accounting date 31 May 2013, payable on 31 July 2013)

Group 1: shares purchased prior to 1 December 2012

Group 2: shares purchased on or after 1 December 2012

	Net revenue	Equalisation	Distribution payable 31/07/13	Distribution paid 31/07/12
Class A accumulation				
	–	–	–	0.471
Class C accumulation				
	2.774	–	2.774	3.797
Class I accumulation*				
Group 1	0.524	–	0.524	n/a
Group 2	0.300	0.224	0.524	n/a

* Class I launched 1 August 2012.

Henderson European Selected Opportunities Fund

Manager's report

Fund Manager

John Bennett

Investment objective and policy

The Fund aims to achieve a long-term return, in excess of the long-term return that is typically achieved from European equity markets, by investing in companies having their registered office in Europe and companies that do not have their registered office in Europe but either (i) carry out a predominant proportion of their business activity in these markets, or (ii) are holding companies which predominantly own companies with registered offices in Europe.

The Fund will invest in companies of any market capitalisation.

The return will be a combination of capital and income returns.

The Fund may also invest at the Manager's discretion in other transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in applicable FCA Rules).

Performance summary

	1 Jun 12- 31 May 13	1 Jun 11- 31 May 12	1 Jun 10- 31 May 11	1 Jun 09- 31 May 10	1 Jun 08- 31 May 09
	%	%	%	%	%
Henderson European Selected Opportunities Fund	44.5	(17.7)	22.1	13.4	(21.2)
FTSE World Europe ex UK Index	43.3	(24.2)	24.3	14.4	(25.3)

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, net of fees, GBP. 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.

Significant portfolio changes for the year ended 31 May 2013

Purchases	£000	Sales	£000
BNP Paribas	60,464	Sanofi	65,698
Bayer	53,971	SAP	50,934
Novartis (registered)	43,312	Novo Nordisk 'B'	47,377
Sanofi	41,944	ENI	36,198
Novo Nordisk 'B'	39,300	Roche Holding – participating	35,632
Roche Holding – participating	37,476	Heineken	35,260
Akzo Nobel	34,955	Electrolux B	33,750
ENI	33,571	Koninklijke DSM	32,638
UBS (registered)	32,652	Total SA	31,326
Schindler Holding – participating	28,754	Continental	29,177

Performance

Over the year to 31 May 2013 the Fund returned 44.5% compared with a rise of 43.3% in its benchmark index FTSE World Europe excluding UK (GBP).

Investment activity

Performance was strong over the year with the winning sector being healthcare. We firmly believe that the story for European pharmaceuticals remains intact, with many companies well positioned to deliver long-term sustainable earnings and priced at attractive entry levels for investors. Our underweight to the telecoms sector also benefited the Fund. The main laggard was the financials sector.

At a stock level key performers over the period were Swiss pharmaceuticals Roche Holding – participating and Novartis (registered). Interest in this sector is gradually increasing as it returns to growth. With economic growth set to remain low we expect the sector to remain in favour and retain our large exposure. Winners also included Anglo Dutch publisher Reed Elsevier, which released strong results. With encouraging results from each underlying business division and high cash generation, capital returns to shareholders look likely to continue and the stock remains a core holding. The largest detractor over the period was French bank BNP Paribas. BIC was also negatively impacted by confirmation of European Union (EU) plans to end the levy on Chinese lighters whilst Novo Nordisk 'B', the Danish pharmaceuticals company, lagged as US approval for one of its diabetes drugs was delayed.

Our strategy has remained broadly constant during the past year. In recognising the potential for a sharp rally among the 'high beta' areas of the market we made some tactical alterations. New strategic additions included Dutch food retailer Koninklijke Ahold, which is on an attractive absolute and relative valuation. We also established a position in Bank of Ireland (London listed) based on Ireland's improving trade situation and regained competitiveness. AstraZeneca in the pharmaceutical sector and Swiss elevator manufacturer Schindler Holding – participating were also added. Disposals over the period included Volvo and Electrolux as we reduced the Fund's cyclical component. We have been disappointed by the rate of progress made by Dutch nutrition and chemical company DSM in its transformation and sold the holding. Other disposals included beverage stock Heineken and Swiss testing company SGS.

Outlook

An over-indebted, slow growth world has informed our investment thinking in recent years. We see little reason to change that working assumption. Moreover, we remain encouraged by the combination that Europe's rarely popular equity markets continue to offer: steadily compounding cash flows from global franchises available at an attractive price. Mindful of recent years' stellar performance by small- and mid-caps we now see the opportunity for leadership to hand over to large-cap stocks. This would be of benefit to the Fund's strategy. We continue to identify plenty of stock and sector specific opportunities to enable us to build on recent years' performance.

Net asset value per share

	Net asset value of Fund (£)	Net asset value of shares (£)	Number of shares in issue	Net asset value per share (pence)
Class A accumulation				
31/05/2011	1,540,741,089	1,489,524,434	162,334,097	917.57
31/05/2012	1,086,176,675	1,049,516,759	139,885,423	750.27
31/05/2013	1,443,801,988	1,361,736,291	124,994,285	1,089.44
Class I accumulation				
31/05/2011	1,540,741,089	45,276,174	4,796,127	944.02
31/05/2012	1,086,176,675	22,707,310	2,922,365	777.02
31/05/2013	1,443,801,988	45,269,814	3,978,172	1,137.96
Class C accumulation				
31/05/2011	1,540,741,089	5,940,481	624,979	950.51
31/05/2012	1,086,176,675	3,860,924	491,019	786.31
31/05/2013	1,443,801,988	5,097,789	441,263	1,155.27
Class I income*				
31/05/2012	1,086,176,675	10,091,682	10,265,666	98.31
31/05/2013	1,443,801,988	31,698,094	22,422,502	141.37

* Class I Income launched 22 August 2011.

Comparative tables (continued)

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2008	10.97	874.09	546.47
2009	12.40	861.57	533.20
2010	10.20	871.03	712.01
2011	9.57	939.50	690.22
2012	10.50	930.44	737.83
2013	10.53 ⁺	1,119.40 [*]	931.30 [*]
Class I accumulation			
2008	13.43	887.60	556.13
2009	14.96	879.39	543.51
2010	14.47	894.17	728.96
2011	14.45	966.22	711.50
2012	16.38	968.22	764.15
2013	20.16 ⁺	1,168.99 [*]	969.25 [*]
Class C accumulation			
2008 ^{**}	–	719.90	603.37
2009	14.24	878.18	541.40
2010	18.42	898.44	730.19
2011	19.10	972.54	717.54
2012	21.06	981.75	773.30
2013	23.06 ⁺	1,186.69 [*]	982.84 [*]
Class I income			
2011 ^{***}	–	110.34	92.04
2012	2.21	122.51	96.75
2013	2.62 ⁺	147.92 [*]	122.64 [*]

* to 31 May

+ to 31 July

** From 28 November 2008 to 31 December 2008.

*** From 22 August 2011 to 31 December 2011.

Ongoing charge figure

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. Ongoing charges are all expenses deducted from the assets of the Fund during the year, except for expenses that are explicitly excluded by regulation.

	2013	2012
	%	%
Class A	1.77	1.76
Class I	0.90 [†]	1.10
Class C	0.59	0.60

The OCF is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR).

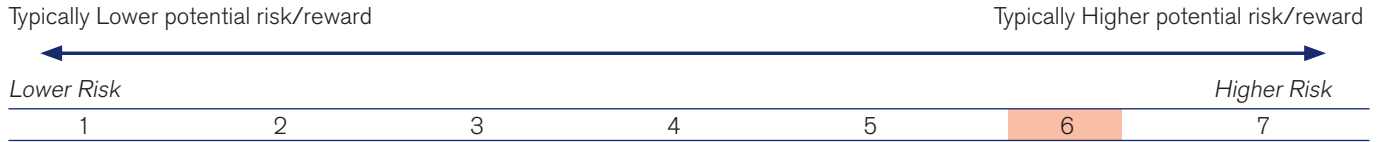
[†] From 1 August 2012, the annual management charge decreased from 1% to 0.75% and the general administration charge increased from 0.06% to 0.10%.

Risk and reward profile

The Fund currently has 4 types of shares in issue:

A accumulation, I accumulation, C accumulation and I income.

The risk and reward profile is the same for each type of share and 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 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 single region
- As a category, shares are 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 which could amplify everyday risk and trigger other risks.

Since the issue of the KIID there have been no changes to the risk ratings in the year.

The Synthetic risk and reward indicator (SRRI) conforms to the CESR guidelines for the calculation of the SRRI.

Portfolio statement as at 31 May 2013

Holding	Investment	Market value £000	Percentage of total net assets %
UNITED KINGDOM – 1.98% (2012: 0.00%)			
842,165	AstraZeneca	28,572	1.98
BELGIUM – 1.48% (2012: 1.14%)			
812,896	KBC	21,326	1.48
BERMUDA – 0.00% (2012: 0.56%)			
DENMARK – 2.37% (2012: 3.40%)			
322,697	Novo Nordisk 'B'	34,204	2.37
FINLAND – 2.80% (2012: 3.39%)			
238,988	Kone 'B'	13,923	0.97
623,616	Sampo Oyj	16,787	1.16
313,358	Wartsila	9,691	0.67
		40,401	2.80
FRANCE – 17.24% (2012: 23.31%)			
327,496	BIC	22,959	1.59
834,618	BNP Paribas	32,337	2.24
772,133	Carrefour	15,056	1.04
320,031	Dassault Systemes	26,536	1.84
449,921	Legrand Promesses	14,625	1.01
1,239,215	Sanofi	87,404	6.05
150,370	Schneider Electric	7,885	0.55
658,713	Valeo	29,112	2.02
1,002,236	Vivendi Universal	12,997	0.90
		248,911	17.24

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
GERMANY – 23.89% (2012: 18.52%)			
292,893	Adidas-Salomon	21,086	1.46
212,383	Allianz (registered)	21,822	1.51
334,734	BASF	21,606	1.50
1,004,824	Bayer	71,413	4.95
424,041	BMW	26,737	1.85
222,249	Continental	19,397	1.34
940,700	Deutsche Post	15,769	1.09
381,924	Fresenius	29,804	2.06
679,858	Henkel preference	43,372	3.00
3,979,033	Infineon Technologies	22,350	1.55
1,054,237	Lufthansa	15,018	1.04
80,103	Muenchener Rueckversicherungs	9,922	0.69
374,311	SAP	18,558	1.29
55,720	Volkswagen preference	8,050	0.56
		<u>344,904</u>	<u>23.89</u>
IRELAND – 1.07% (2012: 0.00%)			
101,113,755	Bank of Ireland (London listed)	<u>15,472</u>	<u>1.07</u>
ITALY – 1.20% (2012: 2.42%)			
609,328	Generali	7,521	0.52
287,185	Luxottica	9,830	0.68
		<u>17,351</u>	<u>1.20</u>
LUXEMBOURG – 0.00% (2012: 0.34%)			
NETHERLANDS – 11.49% (2012: 13.28%)			
886,324	Akzo Nobel	37,341	2.59
408,155	ASML Holding	22,413	1.55
2,082,393	Koninklijke Ahold	22,296	1.54
570,758	Koninklijke Philips	10,683	0.74
5,442,830	Reed Elsevier	58,996	4.08
528,555	Unilever	14,248	0.99
		<u>165,977</u>	<u>11.49</u>
NORWAY – 0.00% (2012: 0.51%)			
SPAIN – 0.54% (2012: 0.00%)			
14,391,868	Banco Popular Espanol	<u>7,812</u>	<u>0.54</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
SWEDEN – 3.93% (2012: 7.31%)			
432,003	Kinnevik Investment AB	7,583	0.52
2,346,023	Nordea	19,136	1.33
691,927	SHB 'A'	19,671	1.36
656,817	Swedbank 'A'	10,370	0.72
		56,760	3.93
SWITZERLAND – 31.27% (2012: 25.56%)			
277,974	CIE Financiere Richemont SA	16,403	1.13
284,547	Credit Suisse (registered)	5,621	0.39
1,307,904	Nestlé (registered)	57,041	3.95
2,735,810	Novartis (registered)	129,753	8.99
763,168	Roche Holding – participating	125,424	8.69
326,397	Schindler Holding – participating	31,319	2.17
259,360	Swiss Reinsurance	12,595	0.87
65,819	Syngenta	17,011	1.18
27,226	The Swatch Group 'B'	10,321	0.71
3,048,182	UBS (registered)	35,639	2.47
59,221	Zurich Financial Services	10,347	0.72
		451,474	31.27
	Investments assets	1,433,164	99.26
	Net other assets	10,638	0.74
	Net assets	1,443,802	100.00

Statement of total return for the year ended 31 May 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Income					
Net capital gains/(losses)	2		452,448		(285,450)
Revenue	4	42,680		43,764	
Expenses	5	(21,959)		(21,687)	
Finance costs: Interest	7	(13)		(6)	
Net revenue before taxation		20,708		22,071	
Taxation	6	(3,105)		(4,915)	
Net revenue after taxation			17,603		17,156
Total return before distributions			470,051		(268,294)
Finance costs: Distributions	7		(14,682)		(15,748)
Change in net assets attributable to shareholders from investment activities			455,369		(284,042)

Statement of change in net assets attributable to shareholders for the year ended 31 May 2013

	2013		2012	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		1,086,177		1,540,741
Amounts receivable on issue of shares	51,835		87,775	
Amounts payable on cancellation of shares	(163,637)		(273,562)	
		(111,802)		(185,787)
Stamp duty reserve tax		(3)		(9)
Change in net assets attributable to shareholders from investment activities (see above)		455,369		(284,042)
Retained distribution on accumulation shares		14,061		15,274
Closing net assets attributable to shareholders		1,443,802		1,086,177

Balance sheet as at 31 May 2013

		2013		2012	
	Notes	£000	£000	£000	£000
Assets					
Investment assets			1,433,164		1,083,348
Debtors	8	39,854		29,544	
Cash and bank balances	9	22,368		14,589	
Total other assets			<u>62,222</u>		<u>44,133</u>
Total assets			1,495,386		1,127,481
Liabilities					
Creditors	10	(40,570)		(31,219)	
Bank overdrafts		(10,426)		(9,858)	
Distribution payable on income shares		<u>(588)</u>		<u>(227)</u>	
Total liabilities			(51,584)		(41,304)
Net assets attributable to shareholders			<u>1,443,802</u>		<u>1,086,177</u>

Notes to the financial statements as at 31 May 2013

1 Accounting policies

The accounting, distribution and risk management policies are set out in notes 1 to 3 of the aggregated financial statements on pages 10 to 14.

2 Net capital gains/(losses)

The net gains/(losses) on investments during the year comprise:

	2013	2012
	£000	£000
Derivative securities	13,173	(3,360)
Forward foreign currency contracts	(261)	–
Non-derivative securities	439,681	(275,258)
Other currency losses	(114)	(6,797)
Transaction costs	(31)	(35)
Net capital gains/(losses)	452,448	(285,450)

3 Portfolio transaction costs

	2013	2012
	£000	£000
Purchases in year before transaction costs	1,267,303	1,481,995
Commissions	1,766	2,191
Taxes and other transfer charges	527	70
Total purchase transaction costs*	2,293	2,261
Purchases including transaction costs	1,269,596	1,484,256
Sales in year before transaction costs	1,361,598	1,650,465
Commissions	(1,929)	(2,450)
Total sale transaction costs*	(1,929)	(2,450)
Sales net of transaction costs	1,359,669	1,648,015
Transaction handling charges*	31	35

* These amounts have been deducted in determining net capital gains/(losses).

Notes to the financial statements (continued)

4 Revenue

	2013	2012
	£000	£000
Bank interest	–	147
Deposit interest	–	25
Inland Revenue interest received	–	2
Overseas dividends	39,067	40,935
Reimbursement of litigation costs	7	–
Stock dividends	2,975	1,407
Securities lending revenue	631	1,248
Total revenue	42,680	43,764

5 Expenses

	2013	2012
	£000	£000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's periodic charge	18,677	18,587
Administration fee	–	223
General administration charge (see note 1g)*	2,974	2,548
	21,651	21,358
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	126	124
Safe custody fee	173	169
	299	293
Other expenses:		
Audit fee	–	(2)
Professional fees payable to PWC	9	6
Report & Accounts fee	–	32
	9	36
Total expenses	21,959	21,687

* The current year audit fee is £12,540 (2012: £12,540). The audit fee levied through the GAC charge is £12,540 (2012: £11,540).

Notes to the financial statements (continued)

6 Taxation

(a) Analysis of charge in year

The tax charge comprises:

	2013	2012
	£000	£000
Adjustments in respect of prior periods	296	199
Overseas tax	2,815	4,717
Overseas tax credits	(6)	(1)
Total current tax for year (Note 6b)	3,105	4,915
Deferred tax (Note 6c)	–	–
Total taxation	3,105	4,915

(b) Factors affecting current tax charge for the year

The tax assessed for the year is different to the standard rate of Corporation tax in the UK for authorised open-ended investment companies (OEICs) of 20%. The differences are explained below:

	2013	2012
	£000	£000
Net revenue before taxation	20,708	22,071
Corporation tax at 20% (2012: 20%)	4,141	4,414
Effects of:		
Adjustments in respect of prior periods	296	199
Current year expenses not utilised	4,267	4,054
Irrecoverable overseas tax	2,815	4,717
Overseas tax credits	(6)	(1)
Revenue not subject to taxation	(8,408)	(8,468)
Current tax charge for year (Note 6a)	3,105	4,915

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2012: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £16,037,000 (2012: £11,770,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Finance costs

Distributions and interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2013	2012
	£000	£000
Final Accumulation Dividend Distribution	14,061	15,274
Final Income Dividend Distribution	588	227
	<u>14,649</u>	<u>15,501</u>
Amounts deducted on cancellation of shares	122	255
Amounts received on issue of shares	(89)	(8)
Finance costs: Distributions	<u>14,682</u>	<u>15,748</u>
Finance costs: Interest	13	6
Total finance costs	<u>14,695</u>	<u>15,754</u>
Net revenue after taxation	17,603	17,156
Equalisation on conversions	55	–
Legal fees borne by the capital account	(1)	–
Stock dividends treated as capital	(2,975)	(1,408)
Finance costs: Distributions	<u>14,682</u>	<u>15,748</u>

8 Debtors

	2013	2012
	£000	£000
Accrued revenue	1,796	4,191
Amounts receivable for issue of shares	2,399	420
Corporation tax recoverable	–	141
Currency transactions awaiting settlement	13,978	–
Overseas tax recoverable	3,888	2,193
Sales awaiting settlement	17,793	22,599
Total debtors	<u>39,854</u>	<u>29,544</u>

9 Cash and bank balances

	2013	2012
	£000	£000
Cash and bank balances	22,368	14,589
Total cash and bank balances	<u>22,368</u>	<u>14,589</u>

Notes to the financial statements (continued)

10 Creditors

	2013	2012
	£000	£000
Accrued ACD periodic charge	1,795	1,414
Accrued expenses	318	309
Amounts payable for cancellation of shares	8,312	1,273
Currency transactions awaiting settlement	13,994	–
Corporation tax payable	155	–
Purchases awaiting settlement	15,996	28,223
Total creditors	40,570	31,219

11 Securities Lending

The Fund and the Investment Manager have entered into a securities lending programme with HSBC Securities Services acting as the Securities Lending Agent for the purposes of efficient portfolio management and in order to generate income.

Securities lending revenue is disclosed under 'Revenue' in the Statement of total return. The gross securities lending revenue for the year was £789,055 with expenses of £157,811 deducted to give net securities lending revenue of £631,244 (2012: £1,247,685).

There is no stock on loan at the current year end (2012: £115,648,000). Consequently there is no collateral held at the current year end (2012: £107,411,591).

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current year end (2012: nil).

13 Related party transactions

The Financial Reporting Standard number 8 ("FRS 8") on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS 8 the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 101 and 102 and notes 5, 8 and 10 on pages 104 to 107 including all creations and cancellations where the ACD acted as principal.

14 Shareholder funds

The Fund currently has 3 share classes, Class A (Retail with front-end charges), Class I (Institutional) and Class C (Private). The ACD's periodic charge on each share class is as follows:

Class A	1.50%
Class I	0.75%
Class C	0.50%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 94. The distribution per share class is given in the distribution tables on page 109. All share classes have the same rights on winding up.

Notes to the financial statements (continued)

15 Risk disclosures

Risk policies in respect of financial assets and liabilities are set out in note 3 of the aggregated financial statements on pages 13 and 14.

Currency risk

Net currency monetary assets and liabilities consist of:

	Investment assets	Net other assets/ (liabilities)	Net assets
Currency	£000	£000	£000
2013			
Danish krone	34,204	–	34,204
Euro	862,154	11,345	873,499
Swedish krona	85,332	219	85,551
Swiss franc	451,474	2,439	453,913
UK sterling	–	(3,365)	(3,365)
Total	1,433,164	10,638	1,443,802
2012			
Danish krone	36,918	–	36,918
Euro	677,780	1,972	679,752
Norwegian krone	11,582	410	11,992
Swedish krona	79,468	–	79,468
Swiss franc	277,600	2,028	279,628
UK sterling	–	(1,833)	(1,833)
US dollar	–	252	252
Total	1,083,348	2,829	1,086,177

Distribution tables for the year ended 31 May 2013 (in pence per share)

There was no distribution for the six months ended 30 November 2012 for the class A accumulation share class, class I income share class, class I accumulation share class and class C accumulation share class.

Final dividend distribution (accounting date 31 May 2013, payable on 31 July 2013)

Group 1: shares purchased prior to 1 December 2012

Group 2: shares purchased on or after 1 December 2012

	Net revenue	Equalisation	Distribution payable 31/07/13	Distribution paid 31/07/12
Class A accumulation				
Group 1	10.526	–	10.526	10.503
Group 2	8.776	1.750	10.526	10.503
Class I accumulation				
Group 1	20.161	–	20.161	16.376
Group 2	16.470	3.691	20.161	16.376
Class C accumulation				
Group 1	23.055	–	23.055	21.059
Group 2	1.701	21.354	23.055	21.059
Class I income				
Group 1	2.624	–	2.624	2.214
Group 2	1.988	0.636	2.624	2.214

Henderson UK & Irish Smaller Companies Fund

Managers' report

Fund Managers

Adam McConkey and Rob Giles

Investment objective and policy

The Fund aims to achieve a long-term return, in excess of the long-term return that is typically achieved from United Kingdom and Irish Smaller Companies equity markets, by investing in smaller companies having their registered office in the United Kingdom and Ireland and smaller companies that do not have their registered office in the United Kingdom and Ireland but either (i) carry out a predominant proportion of their business activity in these markets, or (ii) are holding companies which predominantly own companies with registered offices in the United Kingdom and Ireland.

The return will be a combination of capital and income returns.

The Fund may also invest at the Manager's discretion in other transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in applicable FCA Rules).

Performance summary

	1 Jun 12- 31 May 13	1 Jun 11- 31 May 12	1 Jun 10- 31 May 11	1 Jun 09- 31 May 10	1 Jun 08- 31 May 09
	%	%	%	%	%
Henderson UK & Irish Smaller Companies Fund	37.8	(10.9)	25.5	21.5	(27.9)
FTSE Small Cap (Ex Investment Trusts) Index	46.1	(9.4)	23.1	20.9	(27.1)

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, net of fees, GBP. 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.

Significant portfolio changes for the year ended 31 May 2013

Purchases	£000	Sales	£000
Tyman	3,431	iomart	6,498
Mears	2,940	Quintain Estates & Development	4,396
Northgate	2,879	Xchanging	4,078
CSR	2,621	Lavendon	4,077
Petroceltic International	2,445	Pace	3,347
Wolfson Microelectronics	2,320	Moneysupermarket.com	3,312
Vectura	2,311	Kcom	2,848
Pendragon	1,994	Walker Greenbank	2,344
Eland Oil and Gas	1,985	Paragon Group of Companies	2,260
Crest Nicholson Holding	1,860	Proximagen Neuroscience	1,973

All index returns are total returns in sterling terms, source Thomson Reuters Datastream, unless otherwise stated.

Market review

The FTSE All-Share Index made strong gains over the year under review benefiting from a marked improvement in investor confidence despite lacklustre growth in the broader UK economy. Inflation remained stubbornly above the Bank of England's 2% target and sterling depreciated against both the dollar and euro. UK equities climbed to five-year highs during the period, helped by government liquidity measures and reasonably encouraging corporate earnings reports. Another positive was news that the UK avoided a triple-dip recession, expanding by a better-than-expected 0.3% in the first quarter of 2013, driven by growth in the key services sector and some improvement in industrial output. The FTSE All-Share gained 30.1% in total return terms over the year. Smaller companies led market gains with the FTSE Small Cap ex Investment Trusts Index up by 46.1%. Larger companies were the laggards, rising 28.4% over the corresponding year.

Fund performance and activity

The Fund returned 37.8% in the GBP 'C' share class during the review period.

Among long positions, key positive contributors included Quintain Estates & Development and Sepura. During the year Quintain made major strategic progress under new management in tidying up the balance sheet and refocusing their operations; this was eventually reflected in the movement of the share price from very depressed levels. Good progress is being made on the development of the Greenwich Peninsula project and the opening of the London Designer Outlet at Wembley.

Telecoms group Sepura also made strong gains over the year. The digital radio supplier to emergency services and commercial sector benefited from strong commercial sector demand and the integration of 3T Communications is progressing well. The shares made further gains following the US authorities' endorsement of its Tetra technology and the announcement of several new contract wins and a strategic partnership signed with AXA France. The addition of online gaming business GVC Holdings to the portfolio also boosted returns.

Several energy holdings detracted due to company-specific factors and general weakness in the sector. The oil price fell over 10% during the year, driven by supply concerns in the Middle East and weaker global demand. Among oil and gas holdings, Max Petroleum, the Kazakhstan-focused oil & gas group was affected by the Kazakhstan government's decision to raise crude oil export taxes by 50% to boost its revenues. The flow rates from Lochard Energy's Athena oil well disappointed and so the board, which was restructured after we led the removal of the executive team, is undertaking a strategic review of the business. Another detractor was Management Consulting. The stock was hit on two fronts: index rebalancing produced falls in the stock price from 39p to the mid 20s earlier in the year, and secondly, the recovery from these levels was stalled by uncertainty in the eurozone.

In the second half of the year we consistently added to domestic UK plays with growing evidence of a nascent economic recovery taking hold and consumer financial health and confidence improving. It is not what the newspapers would have us believe, nor popular copy, but in the latter part of 2012 the impact of quantitative easing could be seen in improving mortgage availability supported subsequently by government initiatives like 'help to buy'. A clear improvement in the housing market has followed, which was the foundation on which a more advanced recovery has been based. We took a substantial position in the house builder Crest Nicholson at IPO in addition to the holdings already acquired in fellow house builder Bovis and estate agency business LSL. A similar pattern and improvement has seen a persistent strengthening in the sales of new and used cars and has been reflected in the additions of Pendragon, Lookers, and more recently Vertu Motors to the portfolio. Also started was a position in wind power play Mytrah Energy. We exited the holding in Nautical Petroleum following the completion of the acquisition by Cairn Energy. Elsewhere, we invested in oil & gas group Eland's IPO.

Outlook

Overall the fundamental picture is mixed but improving. As we have reported consistently there are clear pockets where monetary and fiscal policies are starting to take effect, particularly in the housing market and related industries. However, commodities remain weak and inventory does not appear to have been rebuilt in industrial sectors, not least as European demand has remained weak and Chinese growth has slowed. Market confidence that these areas now have the worst behind them is now featuring in some rating inflation. In the short term, market health remains heavily contingent upon growth in global money supply and policymakers' commitment to quantitative easing. We remain of the view that sustainable performance will come from patience in an identifiable scale of change the market has not yet recognised in individual names. When it does, the stock price responses are rapid so we expect performance at both the stock and Fund level to come in bursts.

Comparative tables as at 31 May 2013

Net asset value per share

	Net asset value of Fund (£)	Net asset value of shares (£)	Number of shares in issue	Net asset value per share (pence)
Class A accumulation				
31/05/2011	161,067,372	145,251,737	39,491,242	367.81
31/05/2012	131,678,882	118,106,371	36,192,761	326.33
31/05/2013	169,834,077	151,194,795	33,384,638	452.89
Class C accumulation				
31/05/2011	161,067,372	15,815,635	4,453,296	355.14
31/05/2012	131,678,882	13,572,511	4,257,693	318.78
31/05/2013	169,834,077	18,639,282	4,162,852	447.75

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2008	–	347.81	180.28
2009	0.97	322.04	178.98
2010	0.34	366.35	284.73
2011	–	379.22	311.22
2012	0.43	394.36	316.58
2013	–+	459.74*	397.44*
Class C accumulation			
2008	2.96	324.60	169.87
2009	3.16	305.98	169.01
2010	2.98	352.27	272.43
2011	3.21	366.54	302.42
2012	4.27	387.99	307.77
2013	4.45+	454.40*	391.05*

* to 31 May

+ to 31 July

Ongoing charge figure

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. Ongoing charges are all expenses deducted from the assets of the Fund during the year, except for expenses that are explicitly excluded by regulation.

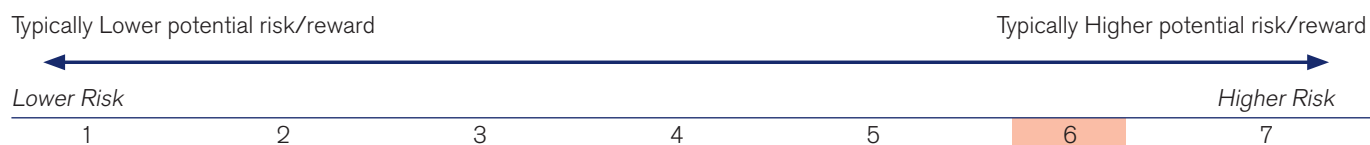
	2013	2012
	%	%
Class A	1.77	1.77
Class C	0.59	0.61

The OCF is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR).

Risk and reward profile

The Fund currently has 2 types of shares in issue:
A accumulation and C accumulation.

The risk and reward profile is the same for each type of share and 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 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 single region
- As a category, shares are 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 which could amplify everyday risk and trigger other risks.

Since the issue of the KIID there have been no changes to the risk ratings in the year.

The Synthetic risk and reward indicator (SRRI) conforms to the CESR guidelines for the calculation of the SRRI.

Portfolio statement as at 31 May 2013

Holding	Investment	Market value £000	Percentage of total net assets %
UNITED KINGDOM – 87.64% (2012: 91.52%)			
Corporate Bonds – 0.44% (2012: 0.00%)			
£515,178	Ascent Resources 9% CV 31/12/14	754	0.44
Oil & Gas – 5.33% (2012: 4.74%)			
Oil & Gas Producers – 3.32% (2012: 3.00%)			
27,616,927	Ascent Resources†	179	0.10
1,811,349	Eland Oil and Gas	2,255	1.33
1,138,698	IGAS Energy†	1,048	0.62
23,111,061	Max Petroleum†	948	0.56
1,042,753	Trinity Exploration & Production Holdings	1,215	0.71
		<u>5,645</u>	<u>3.32</u>
Oil Equipment & Services – 2.01% (2012: 1.74%)			
11,089,876	Ceres Power Holdings†	965	0.57
468,630	Graphene NanoChem	492	0.29
1,852,182	KBC Advanced Technologies†	1,398	0.82
13,983,568	Lochard Energy†	559	0.33
		<u>3,414</u>	<u>2.01</u>
Basic Materials – 4.47% (2012: 4.12%)			
Chemicals – 1.97% (2012: 1.65%)			
2,359,453	Halosource Income†	472	0.28
2,278,821	Plant Health Care†	1,914	1.13
663,802	Plant Impact†	116	0.07
423,732	Zotefoams	835	0.49
		<u>3,337</u>	<u>1.97</u>
Mining – 2.50% (2012: 2.47%)			
1,416,484	Avocet Mining†	156	0.09
196,955,491	Edenville Energy†	335	0.20
13,465,495	Firestone Diamonds†	404	0.24
324,655	GCM Resources†	70	0.04
210,884	Gem Diamonds	292	0.17
7,489,081	Horizonte Minerals†	543	0.32
1,061,809	London Mining†	1,202	0.71
1,354,639	Obtala Resources†	81	0.05
71,938,174	Ortac Resources†	194	0.11
3,594,190	Rambler Metals & Mining†	970	0.57
		<u>4,247</u>	<u>2.50</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
UNITED KINGDOM – continued			
Industrials – 23.84% (2012: 26.89%)			
Construction & Materials – 3.21% (2012: 1.87%)			
461,053	Costain	1,178	0.69
120,702	Marshalls	169	0.10
504,560	Renew Holdings†	525	0.31
1,645,361	Tymant	3,587	2.11
		<u>5,459</u>	<u>3.21</u>
Aerospace & Defence – 0.00% (2012: 0.00%)			
534,647	Aero Inventory#	–	–
General Industrials – 1.69% (2012: 2.09%)			
147,337	Avon Rubber	667	0.39
398,702	British Polythene Industries	2,213	1.30
		<u>2,880</u>	<u>1.69</u>
Electronic & Electrical Equipment – 0.71% (2012: 2.30%)			
1,069,497	Active Energy†	11	0.01
1,321,471	Elektron†	175	0.10
2,624,373	Energetix†	354	0.21
57,959	Minorplanet Systems#	–	–
937,871	Stadium†	385	0.23
66,945,921	Vphase†	268	0.16
		<u>1,193</u>	<u>0.71</u>
Industrial Engineering – 1.30% (2012: 2.11%)			
3,754,586	Coract	469	0.28
1,598,497	Severfield-Rowen	791	0.46
1,667,982	Trifast	951	0.56
		<u>2,211</u>	<u>1.30</u>
Industrial Transportation – 0.69% (2012: 0.44%)			
1,665,823	Wincanton	1,166	0.69

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
UNITED KINGDOM – continued			
Industrials – continued			
Support Services – 16.24% (2012: 18.08%)			
567,185	Acal	1,236	0.73
4,706,148	Aerte#	–	–
489,783	Assetcot	1,690	1.00
2,222,324	Augeant	711	0.42
292,908	Brammer	1,011	0.60
2,767,378	Camco Clean Energy†	32	0.02
6,041,576	Communis	3,247	1.91
227,642	Energy Assets	530	0.31
2,650,088	Hogg Robinson	1,497	0.88
576,923	Interquest†	363	0.21
4,673,623	Jarvis#	–	–
2,205,410	Johnson Service Group†	1,025	0.60
614,008	Lavendon	1,007	0.59
18,127,159	Management Consulting	5,483	3.23
976,224	Mears	3,600	2.12
1,178,599	Northgate	4,016	2.36
1,900,000	Penna Consulting†	1,197	0.70
321,139	Regeneris†	687	0.40
1,850,266	Silverdell†	273	0.16
		<u>27,605</u>	<u>16.24</u>
Consumer Goods – 2.38% (2012: 2.94%)			
Food Producers – 0.43% (2012: 0.00%)			
223,987	Devro	<u>728</u>	<u>0.43</u>
Household Goods – 1.53% (2012: 2.43%)			
3,105	AGA Rangemaster	3	–
726,997	Crest Nicholson Holding	2,543	1.50
48,980	Walker Greenbank†	<u>56</u>	<u>0.03</u>
		<u>2,602</u>	<u>1.53</u>
Leisure Goods – 0.33% (2012: 0.38%)			
78,272	Games Workshop	<u>560</u>	<u>0.33</u>
Automobiles & Parts – 0.09% (2012: 0.13%)			
518,317	Torotrak	<u>155</u>	<u>0.09</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
UNITED KINGDOM – continued			
Healthcare – 9.36% (2012: 11.02%)			
Healthcare Equipment & Services – 3.46% (2012: 3.74%)			
104,001	Aortech International†	50	0.03
244,186	Assetco#	396	0.23
74,253,958	Avacta†	668	0.39
1,904,384	CareTech Holdings†	3,256	1.92
1,486,756	Deltex Medical Group†	208	0.12
2,692,594	EKF Diagnostics Holdings†	808	0.48
201,693	Tristel†	42	0.02
1,691,667	Venn Life Science Holdings	457	0.27
		<u>5,885</u>	<u>3.46</u>
Pharmaceuticals & Biotechnology – 5.90% (2012: 7.28%)			
8,726,452	Alizyme#	–	–
92,139	Allergy Therapeutics†	9	0.01
101,397	Epistem Holdings†	568	0.33
5,042,335	E-Therapeutics†	1,765	1.04
550,549	GW Pharmaceuticals†	272	0.16
1,158,094	Phytopharm#	15	0.01
283,026	Proximagen Neuroscience†	128	0.08
8,071,319	Renovo	1,534	0.90
703,102	Silence Therapeutics†	1,329	0.78
1,701,801	Sinclair Pharma	494	0.29
5,112,397	Tissue Regenix†	473	0.28
3,229,039	Vectura	2,801	1.65
2,895,835	Vernalis	630	0.37
		<u>10,018</u>	<u>5.90</u>
Consumer Services – 11.66% (2012: 9.12%)			
Food & Drug Retailers – 0.05% (2012: 0.03%)			
2,225,133	Crawshaw†	83	0.05
General Retailers – 4.51% (2012: 0.03%)			
808,039	Darty	576	0.34
185,775	Flying Brands	6	–
2,368,438	Lookers	2,451	1.44
91,753	Majestic Wine†	413	0.24
11,834,544	Pendragon	2,959	1.74
187,757	Stanley Gibbons†	516	0.30
1,913,253	Vertu Motors†	765	0.45
		<u>7,686</u>	<u>4.51</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
UNITED KINGDOM – continued			
Media – 4.24% (2012: 5.34%)			
144,400	Bloomsbury Publishing	184	0.11
1,809,230	Catalyst Media†	1,990	1.17
1,619,474	Cello†	858	0.51
53,545	Chime Communications	142	0.08
23,733,523	DCD Media†	368	0.22
787,716	Huntsworth	473	0.28
3,820,114	Jaywing†	344	0.20
160,000	M&C Saatchi†	424	0.25
13,752,378	Netplay TV†	2,407	1.42
		<hr/>	<hr/>
		7,190	4.24
Travel & Leisure – 2.86% (2012: 3.72%)			
1,118	Caplay#	–	–
168,581	Flybe	88	0.05
887,752	GVC Holdings†	2,530	1.49
2,064,531	Sportech	2,065	1.22
11,660,377	Travelzest†	175	0.10
		<hr/>	<hr/>
		4,858	2.86
Telecommunications – 0.00% (2012: 1.40%)			
Fixed Line Telecommunications – 0.00% (2012: 1.40%)			
Utilities – 0.35% (2012: 0.41%)			
Electricity – 0.35% (2012: 0.41%)			
3,845,201	Helius Energy†	288	0.17
2,450,572	Rurelect	306	0.18
		<hr/>	<hr/>
		594	0.35
Financials – 10.91% (2012: 10.47%)			
Non-Life Insurance - 1.97% (2012: 1.46%)			
1,355,319	Brightside†	325	0.19
521,524	Novae	2,565	1.51
362,002	Randall & Quilter Investment Holdings†	463	0.27
		<hr/>	<hr/>
		3,353	1.97
Real Estate – 5.50% (2012: 4.59%)			
2,180,512	Cathay International Holdings	785	0.46
957,018	Conygar Investment Co†	1,132	0.67
1,210,401	Development Securities	2,433	1.43
578,121	LSL Property Services	2,138	1.26
3,437,109	Quintain Estates & Development	2,578	1.52
1,391,596	Terrace Hill†	275	0.16
		<hr/>	<hr/>
		9,341	5.50

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
UNITED KINGDOM – continued			
General Financial – 3.34% (2012: 4.21%)			
487,276	Ashcourt Rowan	760	0.45
1,320,750	Fairpoint†	1,453	0.86
257,537	Fisket	149	0.09
1,922,462	Green Compliance†	35	0.02
593,976	Liontrust Asset Management	1,111	0.65
120,600	Panmure Gordon & Co†	172	0.10
661,993	Paragon Group of Companies	1,992	1.17
		<u>5,672</u>	<u>3.34</u>
Equity Investment Instruments – 0.10% (2012: 0.21%)			
142,009	Brookwell†	60	0.04
76,122	Henderson Irish Growth***#	–	–
255,042	Marwyn Value Investors	110	0.06
		<u>170</u>	<u>0.10</u>
Technology – 18.90% (2012: 20.40%)			
Software & Computer Services – 10.35% (2012: 14.32%)			
915,618	Allocate Software†	623	0.37
191,175	Cyberview Technology#	–	–
7,240,001	Earthport†	1,593	0.94
1,000,000	Gresham Computing	810	0.48
25,181,728	Innovation	6,925	4.08
156,262	InternetQ†	539	0.32
454,572	K3 Business Technology†	505	0.30
306,273	Kofax	995	0.59
2,826,833	Netcall†	1,018	0.60
2,862,834	OMG†	930	0.55
2,528,572	Redcentric	2,149	1.27
25,285,722	Redstonet	228	0.13
318,409	SDL	1,217	0.72
		<u>17,532</u>	<u>10.35</u>
Technology Hardware & Equipment – 8.55% (2012: 6.08%)			
948,569	Concurrent Technologies†	484	0.28
325,827	CSR	1,790	1.05
912,189	Filtronic	547	0.32
1,927,726	Nanocot	2,882	1.70
4,533,537	Sapura	5,282	3.11
1,668,429	Wolfson Microelectronics	3,554	2.09
		<u>14,539</u>	<u>8.55</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
UNITED KINGDOM – continued			
Warrants – 0.00% (2012: 0.01%)			
2,358,506	Green Compliance Warrants 27/01/18	–	–
AUSTRALIA – 0.03% (2012: 0.13%)			
870,873	CAP-XX†	54	0.03
BERMUDA – 2.06% (2012: 1.72%)			
407,690	Digital Globe Services	803	0.47
1,772,087	Oakley Capital Investments†	2,694	1.59
		<u>3,497</u>	<u>2.06</u>
CANADA – 1.13% (2012: 0.00%)			
999,102	Entertainment One	1,918	1.13
CHANNEL ISLANDS – 2.10% (2012: 1.25%)			
1,299,537	GLI Finance	663	0.39
504,797	Hardy Oil & Gas	591	0.35
854,222	Mytrah Energy	948	0.56
640,445	Panceltica#	–	–
599,260	Real Estate Credit Investments	842	0.50
489,288	Skil Ports & Logistics†	514	0.30
		<u>3,558</u>	<u>2.10</u>
FINLAND – 1.02% (2012: 0.89%)			
7,219,957	Powerflut†	1,733	1.02
FRANCE – 0.38% (2012: 0.65%)			
474,733	MDM Engineering†	650	0.38
ISLE OF MAN – 0.03% (2012: 0.26%)			
3,406,666	Renewable Energy Holdings†	43	0.03
IRELAND – 2.94% (2012: 2.31%)			
321,200	Kentz Corporation†	1,279	0.75
889,500	Maple Energy†	356	0.21
1,388,200	Newcourt#	–	–
34,562,165	Petroceltic International†	2,160	1.27
1,601,883	PetroNeft Resources†	46	0.03
1,390,945	TVC Holdings†	1,147	0.68
		<u>4,988</u>	<u>2.94</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
ISRAEL – 1.63% (2012: 1.35%)			
13,648,479	BATM Advanced Communications	2,764	1.63
ITALY – 0.00% (2012: 0.02%)			
UNITED STATES – 0.28% (2012: 0.00%)			
250,000	Electrical Geodesics	325	0.19
111,178	Halosource Income†	34	0.02
800,000	Tyratech 'S'†	44	0.03
1,049,755	Tyratech†	63	0.04
		466	0.28
		168,548	99.24
	Investments assets		
	Net other assets	1,286	0.76
	Net assets	169,834	100.00

Suspended, delisted or unquoted securities

† Traded on AIM

** Related party (see Note 12)

Statement of total return for the year ended 31 May 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Income					
Net capital gains/(losses)	2		49,407		(17,700)
Revenue	4	2,683		2,741	
Expenses	5	(2,491)		(2,349)	
Finance costs: Interest	7	(12)		(3)	
Net revenue before taxation		180		389	
Taxation	6	(39)		(27)	
Net revenue after taxation			141		362
Total return before distributions			49,548		(17,338)
Finance costs: Distributions	7		(189)		(362)
Changes in net assets attributable to shareholders from investment activities			49,359		(17,700)

Statement of change in net assets attributable to shareholders for the year ended 31 May 2013

	2013		2012	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		131,679		161,067
Amounts receivable on issue of shares	1,696		1,545	
Amounts payable on cancellation of shares	(13,067)		(13,565)	
		(11,371)		(12,020)
Stamp duty reserve tax		(19)		(12)
Change in net assets attributable to shareholders from investment activities (see above)		49,359		(17,700)
Retained distributions on accumulation shares		186		344
Closing net assets attributable to shareholders		169,834		131,679

Balance sheet as at 31 May 2013

		2013		2012	
	Notes	£000	£000	£000	£000
Assets					
Investment assets			168,548		131,809
Debtors	8	3,285		313	
Cash and bank balances	9	350		2,293	
Total other assets			<u>3,635</u>	<u>2,606</u>	<u>2,606</u>
Total assets			172,183		134,415
Liabilities					
Creditors	10	(2,216)		(2,736)	
Bank overdrafts		<u>(133)</u>		<u>–</u>	
Total liabilities			(2,349)		(2,736)
Net assets attributable to shareholders			<u>169,834</u>		<u>131,679</u>

Notes to the financial statements as at 31 May 2013

1 Accounting policies

The accounting, distribution and risk management policies are set out in notes 1 to 3 of the aggregated financial statements on pages 10 to 14.

2 Net capital gains/(losses)

The net gains/(losses) on investments during the year comprise:

	2013	2012
	£000	£000
Non-derivative securities	49,441	(17,678)
Other currency losses	(6)	(1)
Transaction costs	(28)	(21)
Net capital gains/(losses)	49,407	(17,700)

3 Portfolio transaction costs

	2013	2012
	£000	£000
Purchases in year before transaction costs	81,523	46,165
Commissions	124	89
Taxes and other transfer charges	311	183
Total purchase transaction costs*	435	272
Purchases including transaction costs	81,958	46,437
Sales in year before transaction costs	94,820	57,160
Commissions	(160)	(116)
Taxes and other transfer charges	(1)	(1)
Total sale transaction costs*	(161)	(117)
Sales net of transaction costs	94,659	57,043
Transaction handling charges*	28	21

* These amounts have been deducted in determining net capital gains/(losses).

Notes to the financial statements (continued)

4 Revenue

	2013	2012
	£000	£000
Overseas dividends	308	340
Property fund revenue distributions	–	8
UK dividends	2,373	2,391
Underwriting commission	2	2
Total revenue	2,683	2,741

5 Expenses

	2013	2012
	£000	£000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's periodic charge	2,130	2,011
Administration fee	–	24
General administration charge (see note 1g)*	337	279
	2,467	2,314

Payable to the Depositary, associates of the Depositary and agents of either of them:

Depositary fee	18	17
Safe custody fee	6	6
	24	23

Other expenses:

Audit fee	–	1
Report & Accounts fee	–	11
	–	12

Total expenses	2,491	2,349
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* The current year audit fee is £9,660 (2012: £9,660). The audit fee levied through the GAC charge is £9,660 (2012: £8,660).

Notes to the financial statements (continued)

6 Taxation

(a) Analysis of charge in year

The tax charge comprises:

	2013	2012
	£000	£000
Overseas tax	39	27
Total current tax for year (Note 6b)	39	27
Deferred tax (Note 6c)	–	–
Total taxation	39	27

(b) Factors affecting current tax charge for the year

The tax assessed for the year is different to the standard rate of Corporation tax in the UK for authorised open-ended investment companies (OEICs) of 20%. The differences are explained below:

	2013	2012
	£000	£000
Net revenue before taxation	180	389
Corporation tax at 20% (2012: 20%)	36	78
Effects of:		
Current year expenses not utilised	500	448
Irrecoverable overseas tax	39	27
Revenue not subject to taxation	(536)	(522)
Tax relief on overseas tax suffered	–	(4)
Current tax charge for year (Note 6a)	39	27

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2012: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £10,970,000 (2012: £10,470,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Finance costs

Distributions and interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2013	2012
	£000	£000
Interim Accumulation Dividend Distribution	81	105
Final Accumulation Dividend Distribution	105	239
	<u>186</u>	<u>344</u>
Amounts deducted on cancellation of shares	5	20
Amounts received on issue of shares	(2)	(2)
Finance costs: Distributions	<u>189</u>	<u>362</u>
Finance costs: Interest	12	3
	<u>201</u>	<u>365</u>
Total finance costs	201	365
Net revenue after taxation	141	362
Income deficit transferred to the capital account	48	–
	<u>189</u>	<u>362</u>
Finance costs: Distributions	189	362

8 Debtors

	2013	2012
	£000	£000
Accrued revenue	427	250
Amounts receivable for issue of shares	–	39
Currency transactions awaiting settlement	110	–
Sales awaiting settlement	2,748	10
Overseas tax recoverable	–	14
	<u>3,285</u>	<u>313</u>
Total debtors	3,285	313

9 Cash and bank balances

	2013	2012
	£000	£000
Cash and bank balances	350	2,293
	<u>350</u>	<u>2,293</u>
Total cash and bank balances	350	2,293

Notes to the financial statements (continued)

10 Creditors

	2013	2012
	£000	£000
Accrued ACD periodic charge	201	164
Accrued expenses	40	53
Amounts payable for cancellation of shares	241	124
Currency transactions awaiting settlement	110	–
Purchases awaiting settlement	1,624	2,395
Total creditors	2,216	2,736

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current year end (2012: nil).

12 Related party transactions

The Financial Reporting Standard number 8 ("FRS 8") on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS 8 the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 124 and 125 and notes 5, 8 and 10 on pages 127 to 130 including all creations and cancellations where the ACD acted as principal.

London Borough of Brent Pension Fund, as a material shareholder, is a related party with a 12.92% shareholding (2012: 11.94%).

Material transactions throughout the year such as creations and cancellations for this shareholder are included in the Statement of change in net assets attributable to shareholders.

Henderson Investment Funds Limited, as ACD to the Fund is a related party. The ultimate controlling party of Henderson Investment Funds Limited is Henderson Group plc. Aggregate value of investments held within Henderson Group plc and related entities are £nil (2012: £nil).

Aggregate value of investments held with Henderson Group plc and related entities are £nil (2012: £nil).

13 Shareholder funds

The Fund currently has 2 share classes, Class A (Retail with front-end charges) and Class C (Private). The annual management charge (AMC) on each share class is as follows:

Class A	1.50%
Class C	0.50%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 113. The distribution per share class is given in the distribution tables on page 132. All share classes have the same rights on winding up.

Notes to the financial statements (continued)

14 Risk disclosures

Risk policies in respect of financial assets and liabilities are set out in note 3 of the aggregated financial statements on pages 13 and 14.

Currency risk

The Fund's exposure to currency risk is considered insignificant. This is consistent with the exposure during the prior year.

Distribution tables for the year ended 31 May 2013 (in pence per share)

Interim dividend distribution (accounting date 30 November 2012, paid on 31 January 2013)

Group 1: shares purchased prior to 1 June 2012

Group 2: shares purchased on or after 1 June 2012

	Net revenue	Equalisation	Distribution paid 31/01/13	Distribution paid 31/01/12
Class C accumulation				
Group 1	1.919	–	1.919	2.358
Group 2	0.136	1.783	1.919	2.358

There was no distribution for the six months ended 30 November 2012 for the class A accumulation share class, therefore no distribution statement has been provided and shareholders have not received tax vouchers.

Final dividend distribution (accounting date 31 May 2013, payable on 31 July 2013)

Group 1: shares purchased prior to 1 December 2012

Group 2: shares purchased on or after 1 December 2012

	Net revenue	Equalisation	Distribution payable 31/07/13	Distribution paid 31/07/12
Class A accumulation	–	–	–	0.434
Class C accumulation				
Group 1	2.528	–	2.528	1.916
Group 2	1.818	0.710	2.528	1.916

Henderson US Growth Fund

Managers' report

Fund Managers

Tom Marsico and Coralie Witter

Investment objective and policy

The Fund aims to achieve a long-term return, in excess of the long-term return that is typically achieved from US equity markets, primarily by investing in companies incorporated in the US or having their registered office in the US, or companies that are not incorporated in the US, or do not have their registered office in the US but either (i) carry out a predominant proportion of their business activity in the US, or (ii) are holding companies which predominantly own companies with registered offices in the US.

The Fund is expected to invest in large capitalisation companies.

The return is expected to be mainly growth of capital.

The Fund may invest up to 15% in cash or cash-equivalents from time to time. This is unlikely to exceed 15%. In the event that the Manager is anticipating exceptional redemption requests or in exceptional circumstances the level may exceed this amount. The Fund may also invest at the Manager's discretion in other transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in applicable FCA Rules).

Performance summary

	1 Jun 12- 31 May 13	1 Jun 11- 31 May 12	1 Jun 10- 31 May 11	1 Jun 09- 31 May 10	1 Jun 08- 31 May 09
	%	%	%	%	%
Henderson US Growth Fund	24.4	5.9	9.2	35.8	(15.7)
S&P 500 Index	29.2	6.5	11.2	34.3	(17.4)

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, net of fees, GBP. 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.

Significant portfolio changes for the year ended 31 May 2013

Purchases	£000	Sales	£000
eBay	17,162	Apple	39,709
Gilead Sciences	15,347	McDonald's	21,426
Bristol-Myers Squibb	14,242	Halliburton	18,050
Anheuser-Busch Inbev ADR	13,862	TJX Companies	17,504
Google	13,495	Bristol-Myers Squibb	16,561
Starwood Hotels & Resorts	13,168	Qualcomm	15,967
CBS Corporation Class 'B'	12,361	Priceline.com	15,873
Schlumberger	11,928	National Oilwell Varco	15,861
Lowe's Companies	11,905	US Bancorp	15,736
Dollar General	11,718	Cummins	15,411

Managers' report (continued)

Although the fiscal year began in June 2012 with an uncertain outlook for the global economy, equities responded favorably to a variety of stabilising and improving economic data in the latter half of the period and ultra-accommodative central bank policy around the globe. US equities generated strong returns during the period as US corporations demonstrated the ability to generate solid earnings growth and free cash flow, which buoyed stock prices. The Federal Reserve (Fed)'s easy monetary policy provided a strong catalyst to the capital markets.

The Henderson US Growth Fund posted a return of 24.4% in the 12-month period to 31 May 2013. The Fund underperformed the benchmark S&P 500 Index, which returned 29.2% over the period.

The main factor contributing to the underperformance was the Fund's stock selection in the consumer discretionary, financials, and energy sectors. A primary area of weakness was in consumer discretionary as positions in leather goods retailer Coach (sold during the period), athletic footwear and apparel manufacturer Nike Class 'B', specialty coffee purveyor Starbucks and discount retailer Dollar General (sold during the period) were material detractors. Stock selection and an underweight position in financials, the strongest-performing sector in the benchmark index during the period, were also detrimental to results. While the Fund's financials positions in aggregate posted strong returns, their performance results lagged the sector return in the benchmark index, thereby hampering relative performance. Stock selection in the energy sector was also a source of underperformance. Positions in oilfield services companies Halliburton and National Oilwell Varco detracted from performance and were sold. Infant formula manufacturer Mead Johnson Nutrition was the largest individual detractor due to a drop in demand from Chinese consumers and was sold.

The Fund's performance benefited from stock selection in the healthcare sector, particularly in several biotechnology and pharmaceutical companies including Biogen Idec, Gilead Sciences, and Bristol-Myers Squibb. Each of the companies introduced products that have large addressable markets. Fund performance benefited from abstaining from investment in utilities, the weakest-performing sector in the benchmark index. Within the materials sector, specialty chemical company LyondellBasell Industries was a strong performer. LyondellBasell benefited from the low cost of natural gas, its primary feedstock for ethylene, in the US. The Fund sold the position during the period. Other individual contributors included credit card processor Visa, home improvement retailer Home Depot, and multimedia company CBS Corporation Class 'B'.

As economic data in the spring and summer of 2012 pointed to a slowing global economy and given heightened uncertainty regarding the European sovereign debt crisis, the US elections, debt ceiling and sequestration, the Fund reduced exposure to cyclical companies. The Fund added a defensive component via exposure to growth companies that, we believe, have durable franchises, are self-funding and have dependable revenue streams. In particular, the Fund's healthcare holdings were increased significantly during the period. As the global environment improved and policy uncertainty was reduced, the Fund took positions in sectors that could benefit from a slowly improving US economy. In particular, the Fund's financials exposure was increased during the period.

Comparative tables as at 31 May 2013

Net asset value per share

	Net asset value of Fund (£)	Net asset value of shares (£)	Number of shares in issue	Net asset value per share (pence)
Class A accumulation				
31/05/2011	326,460,088	257,214,151	53,405,400	481.63
31/05/2012	502,756,727	367,266,049	72,462,737	506.83
31/05/2013	439,475,848	343,037,071	55,195,123	621.50
Class I accumulation				
31/05/2011	326,460,088	43,327,183	32,642,958	132.73
31/05/2012	502,756,727	110,883,484	78,863,013	140.60
31/05/2013	439,475,848	93,012,493	53,490,477	173.89
Class C accumulation				
31/05/2011	326,460,088	25,918,754	6,459,586	401.24
31/05/2012	502,756,727	24,607,194	5,760,691	427.16
31/05/2013	439,475,848	3,426,284	646,542	529.94

Comparative tables (continued)

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2008	–	400.01	298.03
2009	–	404.88	282.41
2010	–	488.45	380.11
2011	–	510.02	401.82
2012	–	534.14	473.12
2013	–+	639.85*	495.11*
Class I accumulation			
2008**	–	105.76	81.09
2009	0.16	110.79	76.95
2010	0.14	134.32	104.06
2011	–	140.64	110.88
2012	0.17	148.03	130.89
2013	0.85+	178.98*	138.03*
Class C accumulation			
2009***	–	331.18	273.19
2010	1.26	405.16	311.17
2011	1.56	425.38	335.57
2012	2.48	449.37	396.87
2013	4.01+	545.43*	420.16*

* to 31 May

+ to 31 July

** From 15 August 2008 to 31 December 2008.

*** From 17 August 2009 to 31 December 2009.

Ongoing charge figure

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. Ongoing charges are all expenses deducted from the assets of the Fund during the year, except for expenses that are explicitly excluded by regulation.

	2013	2012
	%	%
Class A	1.77	1.75
Class I	0.91†	1.10
Class C	0.59	0.60

The OCF is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR).

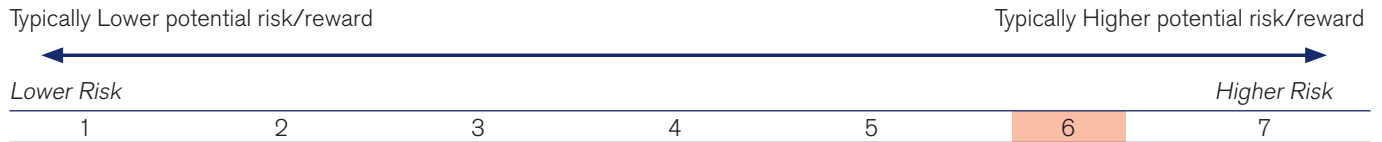
† From 1 August 2012, the annual management charge decreased from 1% to 0.75% and the general administration charge increased from 0.06% to 0.10%.

Risk and reward profile

The Fund currently has 3 types of shares in issue:

A accumulation, C accumulation and I accumulation.

The risk and reward profile is the same for each type of share and 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 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 mainly on a single country
- As a category, shares are 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 which could amplify everyday risk and trigger other risks.

Since the issue of the KIID there have been no changes to the risk ratings in the year.

The Synthetic risk and reward indicator (SRRI) conforms to the CESR guidelines for the calculation of the SRRI.

Portfolio statement as at 31 May 2013

Holding	Investment	Market value £000	Percentage of total net assets %
UNITED STATES – 83.23% (2012: 86.68%)			
Corporate Bonds – 0.00% (2012: 0.36%)			
Oil & Gas – 3.81% (2012: 7.73%)			
Oil & Gas Producers – 0.00% (2012: 3.00%)			
Oil Equipment & Services – 3.81% (2012: 4.73%)			
248,933	Kinder Morgan	6,239	1.42
217,564	Schlumberger	10,479	2.39
		<u>16,718</u>	<u>3.81</u>
Basic Materials – 0.00% (2012: 1.97%)			
Chemicals – 0.00% (2012: 1.97%)			
Industrials – 10.68% (2012: 9.45%)			
Aerospace & Defence – 2.41% (2012: 2.02%)			
75,136	Precision Castparts	10,600	2.41
Construction & Materials – 1.47% (2012: 0.00%)			
51,974	Sherwin-Williams	6,465	1.47
Electronic & Electrical Equipment – 0.00% (2012: 0.00%)			
1,500	Spatializer Audio Laboratories*	–	–
General Industrials – 0.00% (2012: 1.01%)			
Industrial Engineering – 0.00% (2012: 2.74%)			
Industrial Transportation – 4.09% (2012: 2.77%)			
519,270	CSX	8,631	1.96
91,600	Union Pacific	9,345	2.13
		<u>17,976</u>	<u>4.09</u>
Support Services – 2.71% (2012: 0.91%)			
39,586	FleetCor Technologies	2,273	0.52
28,671	Grainger W.W.	4,868	1.11
126,492	United Rentals	4,741	1.08
		<u>11,882</u>	<u>2.71</u>

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
UNITED STATES – continued			
Consumer Goods – 8.36% (2012: 11.70%)			
Food Producers – 5.05% (2012: 5.11%)			
56,300	Green Mountain Coffee Roasters	2,716	0.62
272,064	Mondelez International	5,288	1.20
213,932	Monsanto	14,207	3.23
		22,211	5.05
Personal Goods – 3.31% (2012: 6.59%)			
18,744	Estee Lauder Companies Class 'A'	838	0.19
106,662	Lululemon Athletica	5,474	1.25
202,186	Nike Class 'B'	8,226	1.87
		14,538	3.31
Healthcare – 12.42% (2012: 8.31%)			
Healthcare Equipment & Services – 0.00% (2012: 2.75%)			
Pharmaceuticals & Biotechnology – 12.42% (2012: 5.56%)			
145,790	Biogen Idec	22,837	5.19
277,704	Bristol-Myers Squibb	8,428	1.92
649,050	Gilead Sciences	23,323	5.31
		54,588	12.42
Consumer Services – 26.75% (2012: 25.36%)			
General Retailers – 10.63% (2012: 11.89%)			
25,420	Amazon.com	4,510	1.03
32,743	AutoZone	8,834	2.01
374,001	eBay	13,351	3.04
198,579	Home Depot	10,306	2.34
291,216	TJX Companies	9,712	2.21
		46,713	10.63
Media – 6.83% (2012: 0.00%)			
320,751	CBS Corporation Class 'B'	10,479	2.39
283,587	Comcast	7,510	1.71
149,224	Walt Disney	6,209	1.41
119,406	Liberty Global 'A'	5,804	1.32
		30,002	6.83

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
UNITED STATES – continued			
Consumer Services – continued			
Travel & Leisure – 9.29% (2012: 13.47%)			
18,755	Chipotle Mexican Grill	4,466	1.01
16,910	Priceline.com	8,964	2.04
224,762	Starbucks	9,350	2.13
186,945	Starwood Hotels & Resorts	8,424	1.92
107,424	Wynn Resorts	9,629	2.19
		<u>40,833</u>	<u>9.29</u>
Financials – 15.47% (2012: 9.07%)			
Banks – 5.33% (2012: 6.57%)			
414,141	Citigroup	14,204	3.24
29,241	First Horizon National*	–	–
343,509	Wells Fargo & Co	9,192	2.09
		<u>23,396</u>	<u>5.33</u>
Financial Services – 5.81% (2012: 2.50%)			
115,093	American Express	5,750	1.31
150,704	Moody's	6,607	1.50
112,149	Visa	13,180	3.00
		<u>25,537</u>	<u>5.81</u>
Non-Life Insurance - 2.49% (2012: 0.00%)			
373,560	AIG	10,952	2.49
Real Estate – 1.84% (2012: 0.00%)			
157,509	American Tower	8,087	1.84
Technology – 5.74% (2012: 12.73%)			
Software & Computer Services – 5.24% (2012: 3.68%)			
32,914	Equinix	4,399	1.00
26,802	Google	15,387	3.50
186,794	Yahoo	3,240	0.74
		<u>23,026</u>	<u>5.24</u>
Technology Hardware & Equipment – 0.50% (2012: 9.05%)			
93,154	Texas Instruments	2,205	0.50

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	BELGIUM – 2.72% (2012: 0.76%)		
	Consumer Goods – 2.72% (2012: 0.76%)		
	Beverages – 2.72% (2012: 0.76%)		
197,317	Anheuser-Busch Inbev ADR	11,961	2.72
	CANADA – 1.97% (2012: 0.00%)		
	Industrials – 1.97% (2012: 0.00%)		
	Industrial Transportation – 1.97% (2012: 0.00%)		
99,540	Canadian Pacific Railway	8,666	1.97
	CAYMAN ISLANDS – 0.00% (2012: 2.86%)		
	Consumer Services – 0.00% (2012: 0.38%)		
	Media – 0.00% (2012: 0.38%)		
	Technology – 0.00% (2012: 2.48%)		
	Software & Computer Services – 0.00% (2012: 2.48%)		
	IRELAND – 2.05% (2012: 2.24%)		
	Industrials – 2.05% (2012: 2.24%)		
	Support Services – 2.05% (2012: 2.24%)		
166,361	Accenture	9,013	2.05
	ISRAEL – 0.00% (2012: 1.24%)		
	Technology – 0.00% (2012: 1.24%)		
	Software & Computer Services – 0.00% (2012: 1.24%)		
	NETHERLANDS – 1.46% (2012: 0.00%)		
	Technology – 1.46% (2012: 0.00%)		
	Technology Hardware & Equipment – 1.46% (2012: 0.00%)		
120,111	ASML Holding	6,438	1.46
	SINGAPORE – 0.00% (2012: 0.57%)		
	Other Investments – 0.00% (2012: 0.57%)		

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	SWITZERLAND – 4.69% (2012: 1.01%)		
	Consumer Goods – 0.00% (2012: 1.01%)		
	Personal Goods – 0.00% (2012: 1.01%)		
	Industrials – 2.70% (2012: 0.00%)		
	Industrial Engineering – 2.70% (2012: 0.00%)		
308,951	Pentair	11,864	2.70
	Healthcare – 1.99% (2012: 0.00%)		
	Pharmaceuticals & Biotechnology – 1.99% (2012: 0.00%)		
53,255	Roche Holding-participating	8,752	1.99
	UNITED KINGDOM – 1.25% (2012: 0.00%)		
	Industrials – 1.25% (2012: 0.00%)		
	Aerospace & Defence – 1.25% (2012: 0.00%)		
458,576	Rolls-Royce	5,512	1.25
54,570,544	Rolls-Royce 'C' Shares*	-	-
		5,512	1.25
	Investment assets	427,935	97.37
	Net other assets	11,541	2.63
	Net assets	439,476	100.00

* Market value less than £500

Statement of total return for the year ended 31 May 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Income					
Net capital gains	2		87,238		18,517
Revenue	4	7,616		5,005	
Expenses	5	(7,016)		(5,434)	
Finance costs: Interest	7	—		(2)	
Net revenue/(expense) before taxation		600		(431)	
Taxation	6	(928)		(671)	
Net expense after taxation			(328)		(1,102)
Total return before distributions			86,910		17,415
Finance costs: Distributions	7		(649)		(251)
Changes in net assets attributable to shareholders from investment activities			86,261		17,164

Statement of change in net assets attributable to shareholders for the year ended 31 May 2013

	2013		2012	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		502,757		326,460
Amounts receivable on issue of shares	37,647		101,747	
Amounts received from US Opportunities Merger*	—		122,418	
Amounts payable on cancellation of shares	(187,745)		(65,307)	
		(150,098)		158,858
Stamp duty reserve tax		(1)		(3)
Change in net assets attributable to shareholders from investment activities (see above)		86,261		17,164
Retained distribution on accumulation shares		557		278
Closing net assets attributable to shareholders		439,476		502,757

* Henderson US Opportunities Fund merged into Henderson US Growth Fund on 4 May 2012.

Balance sheet as at 31 May 2013

		2013		2012	
	Notes	£000	£000	£000	£000
Assets					
Investment assets			427,935		479,424
Debtors	8	3,335		1,759	
Cash and bank balances	9	13,816		23,717	
Total other assets			<u>17,151</u>	<u>25,476</u>	
Total assets			445,086		504,900
Liabilities					
Creditors	10	(5,014)		(1,110)	
Bank overdrafts		<u>(596)</u>		<u>(1,033)</u>	
Total liabilities			(5,610)		(2,143)
Net assets attributable to shareholders			<u>439,476</u>		<u>502,757</u>

Notes to the financial statements as at 31 May 2013

1 Accounting policies

The accounting, distribution and risk management policies are set out in notes 1 to 3 of the aggregated financial statements on pages 10 to 14.

2 Net capital gains

The net gains on investments during the year comprise:

	2013	2012
	£000	£000
Currency (losses)/gains	(138)	2,155
Losses on forward currency contracts	(7)	(3)
Non-derivative securities	87,429	16,392
Transaction costs	(46)	(27)
Net capital gains	87,238	18,517

3 Portfolio transaction costs

	2013	2012
	£000	£000
Purchases in year before transaction costs	490,482	428,893
Commissions	232	110
Taxes and other transfer charges	21	26
Total purchase transaction costs*	253	136
Purchases including transaction costs	490,735	429,029
Sales in year before transaction costs	629,797	269,535
Commissions	(282)	(135)
Taxes and other transfer charges	(14)	(9)
Total sale transaction costs*	(296)	(144)
Sales net of transaction costs	629,501	269,391
Transaction handling charges*	46	27

* These amounts have been deducted in determining net capital gains.

Notes to the financial statements (continued)

4 Revenue

	2013	2012
	£000	£000
Overseas dividends	7,558	4,903
Securities lending revenue	4	2
UK dividends	54	100
Total revenue	7,616	5,005

5 Expenses

	2013	2012
	£000	£000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's periodic charge	6,000	4,701
Administration fee	–	47
General administration charge (see note 1g)*	923	608
	6,923	5,356
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	47	37
Safe custody fee	45	35
	92	72
Other expenses:		
Audit fee	–	1
Dividend collection fee	1	–
Report & Accounts fee	–	5
	1	6
Total expenses	7,016	5,434

* The current year audit fee is £10,650 (2012: £10,650). The audit fee levied through the GAC charge is £10,650 (2012: £9,650).

Notes to the financial statements (continued)

6 Taxation

(a) Analysis of charge in year

The tax charge comprises:

	2013	2012
	£000	£000
Overseas tax	928	671
Total current tax for year (Note 6b)	928	671
Deferred tax (Note 6c)	–	–
Total taxation	928	671

(b) Factors affecting current tax charge for the year

The tax assessed for the year is different to the standard rate of Corporation tax in the UK for authorised open ended investment companies (OEICs) of 20%. The differences are explained below:

	2013	2012
	£000	£000
Net revenue/(expense) before taxation	600	(431)
Corporation tax at 20% (2012: 20%)	120	(86)
Effects of:		
Current year expenses not utilised	1,402	1,087
Irrecoverable overseas tax	928	671
Revenue not subject to taxation	(1,522)	(1,001)
Current tax charge for year (Note 6a)	928	671

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2012: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £4,910,000 (2012: £3,508,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Finance costs

Distributions and interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2013	2012
	£000	£000
Interim Accumulation Dividend Distribution	342	–
Final Accumulation Dividend Distribution	215	278
	<u>557</u>	<u>278</u>
Amounts deducted on cancellation of shares	99	16
Amounts received on issue of shares	(7)	(43)
Finance costs: Distributions	<u>649</u>	<u>251</u>
Finance costs: Interest	–	2
	<u>649</u>	<u>253</u>
Total finance costs	649	253
Net expense after taxation	(328)	(1,102)
Equalisation on conversions	3	–
Income deficit transferred to the capital account	973	1,354
Movement in net income property	1	(1)
	<u>649</u>	<u>251</u>
Finance costs: Distributions	649	251

8 Debtors

	2013	2012
	£000	£000
Accrued revenue	337	547
Amounts receivable for issue of shares	313	1,178
Currency transactions awaiting settlement	968	–
Money due from US Opportunities Fund	–	3
Overseas tax recoverable	83	31
Sales awaiting settlement	1,634	–
	<u>3,335</u>	<u>1,759</u>
Total debtors	3,335	1,759

9 Cash and bank balances

	2013	2012
	£000	£000
Cash and bank balances	13,816	23,717
	<u>13,816</u>	<u>23,717</u>
Total cash and bank balances	13,816	23,717

Notes to the financial statements (continued)

10 Creditors

	2013	2012
	£000	£000
Accrued ACD periodic charge	496	530
Accrued expenses	90	96
Amounts payable for cancellation of shares	1,218	484
Currency transactions awaiting settlement	970	–
Purchases awaiting settlement	2,240	–
Total creditors	5,014	1,110

11 Securities Lending

The Fund and the Investment Manager have entered into a securities lending programme with HSBC Securities Services acting as the Securities Lending Agent for the purposes of efficient portfolio management and in order to generate income.

Securities lending revenue is disclosed under 'Revenue' in the Statement of total return. The gross securities lending revenue for the year was £4,938 with expenses of £988 deducted to give net securities lending revenue of £3,950 (2012: £1,758).

There is no stock on loan at the current year end (2012; nil). Consequently there is no collateral held at the current year end (2012: nil).

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current year end (2012: nil).

13 Related party transactions

The Financial Reporting Standard number 8 ("FRS 8") on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS 8 the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 144 and 145 and notes 5, 8 and 10 on pages 147 to 150 including all creations and cancellations where the ACD acted as principal.

Skandia Life Assurance Company, as a material shareholder, is a related party with a 12.33% shareholding (2012: 10.67%).

Material transactions throughout the year such as creations and cancellations for this shareholder are included in the Statement of change in net assets attributable to shareholders.

14 Shareholder funds

The Fund currently has 3 share classes, Class A (Retail with front-end charges), Class I (Institutional) and Class C (Private). The ACD's periodic charge on each share class is as follows:

Class A	1.50%
Class I	0.75%
Class C	0.50%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 135. The distribution per share class is given in the distribution tables on page 152. All share classes have the same rights on winding up.

Notes to the financial statements (continued)

15 Risk disclosures

Risk policies in respect of financial assets and liabilities are set out in note 3 of the aggregated financial statements on pages 13 and 14.

Currency risk

Net currency monetary assets and liabilities consist of:

	Investment assets	Net other assets/ (liabilities)	Net assets
Currency	£000	£000	£000
2013			
Swiss franc	8,752	–	8,752
UK sterling	5,512	(560)	4,952
US dollar	413,671	12,101	425,772
Total	427,935	11,541	439,476
2012			
Swiss franc	5,067	16	5,083
UK sterling	–	556	556
US dollar	474,357	22,761	497,118
Total	479,424	23,333	502,757

Distribution tables for the year ended 31 May 2013 (in pence per share)

Interim dividend distribution (accounting date 30 November 2012, paid on 31 January 2013)

Group 1: shares purchased prior to 1 June 2012

Group 2: shares purchased on or after 1 June 2012

	Net revenue	Equalisation	Distribution paid 31/01/2013	Distribution paid 31/01/2012
Class I accumulation				
Group 1	0.472	–	0.472	–
Group 2	0.438	0.034	0.472	–
Class C accumulation				
Group 1	2.168	–	2.168	–
Group 2	1.565	0.603	2.168	–

There is no distribution for the six months ended 30 November 2012 for the class A accumulation share class.

Final dividend distribution (accounting date 31 May 2013, payable on 31 July 2013)

Group 1: shares purchased prior to 1 December 2012

Group 2: shares purchased on or after 1 December 2012

	Net revenue	Equalisation	Distribution paid 31/07/2013	Distribution paid 31/07/2012
Class I accumulation				
Group 1	0.379	–	0.379	0.171
Group 2	0.170	0.209	0.379	0.171
Class C accumulation	1.843	–	1.843	2.477

There is no distribution for the six months ended 31 May 2013 for the class A accumulation share class.

Henderson European Absolute Return Fund

Managers' report

Fund Managers

John Bennett and Leopold Arminjon

Investment objective and policy

The Fund aims to achieve a positive absolute return over the long term regardless of market conditions, by taking long and short positions primarily in equities or equity related derivative contracts of companies having their registered office in Europe (including United Kingdom); and companies that do not have their registered office in Europe (including United Kingdom) but either (i) carry out a predominant proportion of their business activity in these markets, or (ii) are holding companies which predominantly own companies with registered offices in Europe (including United Kingdom), although all or a substantial proportion of the physical assets of the Fund may at any time consist of cash, near cash, deposits and/or money market instruments.

The Fund will invest in companies of any market capitalisation.

Long positions may be held through a combination of direct investment and/or derivative instruments. Short positions will be held through derivative positions, primarily equity swaps and futures.

The use of derivatives forms an important part of the investment strategy.

The Fund may also invest at the Manager's discretion in other transferable securities, derivative instruments and collective investment schemes.

Performance summary

	1 Jun 12- 31 May 13	1 Jun 11- 31 May 12	1 Jun 10- 31 May 11	1 Jun 09*- 31 May 10
	%	%	%	%
Henderson European Absolute Return Fund	18.0	(0.8)	1.5	3.7

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, net of fees, GBP.

Figures in brackets are negative.

* 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.

Significant portfolio changes for the year ended 31 May 2013

Purchases	£000	Sales	£000
Novartis (registered)	1,165	Novartis (registered)	1,311
Roche Holding – participating	1,007	Roche Holding – participating	1,078
Sanofi	761	SAP	860
SAP	658	Sanofi	830
UBS (registered)	530	Reed Elsevier	700
Reed Elsevier	526	Royal Dutch Shell 'A'	457
Bayer	519	Ziggo NV	441
Ziggo NV	466	UBS (registered)	439
Royal Dutch Shell 'A'	464	Bayer	429
Koninklijke Ahold	455	Thyssenkrupp	393

Performance

Over the year to 31 May 2013 the Fund returned 18%.

Investment activity

Performance was strong over the year with the winning sector being healthcare. We firmly believe that the story for European pharmaceuticals remains intact, with many companies well positioned to deliver long-term sustainable earnings and priced at attractive entry levels for investors. The consumer discretionary sector posted strong returns and our tactical positioning in the financials sector also benefited the Fund. The main detractors were our short index hedge positions.

At a stock level key performers were Swiss pharmaceuticals Roche and Novartis. Interest in this sector is gradually increasing as it returns to growth. With economic growth set to remain low we expect the sector to remain in favour and retain our large exposure. Winners also included UK broadcaster ITV as it continues its renaissance and Anglo Dutch publisher Reed Elsevier, which released strong results. The largest detractor over the period was Drax, which suffered following the UK government's postponement of a decision on subsidies for the renewable energy sector. Drugs company Elan was also negative following its first Alzheimer drug trial. We sold both holdings.

Our strategy has remained broadly constant during the past year. In recognising the potential for a sharp rally among the 'high beta' areas of the market we made some tactical alterations. New strategic additions included Dutch food retailer Ahold, which is on an attractive absolute and relative valuation. We also established a position in Bank of Ireland based on Ireland's improving trade situation and regained competitiveness. In the small-cap space we bought Interpump Group, the world's largest manufacturer of high pressure pumps and Marr SPA, Italy's leading foodservice distributor. AstraZeneca in the pharmaceutical sector and was also added. Disposals over the period included Electrolux as we reduced the Fund's cyclical component. We have been disappointed by the rate of progress made by Dutch nutrition and chemical company DSM in its transformation and sold the holding. Other disposals included Swiss industrial ABB, beverage stock Heineken and Swiss testing company SGS.

Outlook

An over-indebted, slow growth world has informed our investment thinking in recent years. We see little reason to change that working assumption. Moreover, we remain encouraged by the combination that Europe's rarely popular equity markets continue to offer: steadily compounding cash flows from global franchises available at an attractive price. Mindful of recent years' stellar performance by small- and mid-caps we now see the opportunity for leadership to hand over to large-cap stocks. This would be of benefit to the Fund's strategy. We continue to identify plenty of stock and sector specific opportunities to enable us to build on recent years' performance.

Comparative tables as at 31 May 2013

Net asset value per share

	Net asset value of Fund (£)	Net asset value of shares (£)	Number of shares in issue	Net asset value per share (pence)
Class A accumulation				
31/05/2011	10,780,961	7,775,074	7,049,433	110.29
31/05/2012	7,651,277	5,435,515	4,971,535	109.33
31/05/2013	7,958,924	5,987,515	4,627,014	129.40
Class I accumulation				
31/05/2011	10,780,961	3,005,887	2,700,407	111.31
31/05/2012	7,651,277	2,215,762	1,997,421	110.93
31/05/2013	7,958,924	1,971,409	1,490,325	132.28

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2009**	0.23	111.95	99.50
2010	–	112.21	106.91
2011	–	111.22	107.10
2012	–	115.48	108.42
2013	1.95 ⁺	131.48*	115.74*
Class I accumulation			
2009**	1.63	112.30	99.53
2010	0.07	112.66	107.77
2011	–	112.05	108.09
2012	–	117.59	109.94
2013	3.08 ⁺	134.28*	117.89*

* to 31 May

+ to 31 July

** From 30 January 2009 to 31 December 2009.

Ongoing charge figure

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. Ongoing charges are all expenses deducted from the assets of the Fund during the year, except for expenses that are explicitly excluded by regulation.

	2013	2012
	%	%
Class A*	2.10	2.08
Class I*	1.23 [†]	1.42

The OCF is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR).

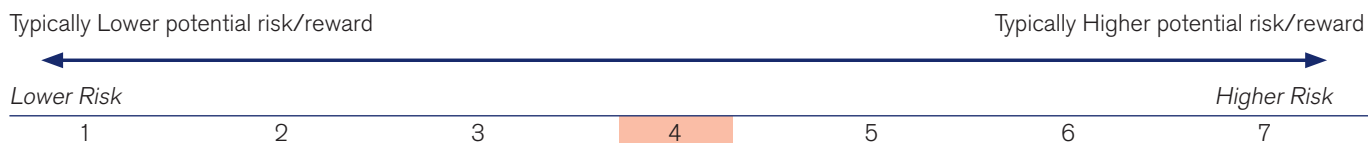
[†] From 1 August 2012, the annual management charge decreased from 1% to 0.75% and the general administration charge increased from 0.06% to 0.10%.

* Please note, in addition to the OCF, a performance fee of 4.11% (2012: 0.01%) has been charged to the class A share class and 4.37% (2012: 0.05%) to the class I share class. For further details see the Prospectus.

Risk and reward profile

The Fund currently has 2 types of shares in issue:
A accumulation and I accumulation.

The risk and reward profile is the same for each type of share and 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 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 single region
- As a category, shares are more volatile than either bonds or money market instruments
- The Fund's short exposures mean it can lose money if certain shares rise in price
- 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.

Since the issue of the KIID there have been no changes to the risk ratings in the year.

The Synthetic risk and reward indicator (SRRI) conforms to the CESR guidelines for the calculation of the SRRI.

Portfolio statement as at 31 May 2013

Holding	Investment	Market value* £000	Percentage of total net assets %
LONG POSITIONS			
UNITED KINGDOM – 2.23% (2012: (0.68%))			
Oil & Gas – 0.08% (2012: (0.04%))			
Oil & Gas Producers – 0.08% (2012: (0.04%))			
25,027	BP (contracts for difference)	6	0.08
Industrials – (0.04%) (2012: 0.00%)			
Aerospace & Defence – 0.00% (2012: 0.00%)			
19,777	BAE Systems (contracts for difference)#	–	–
Support Services – (0.04%) (2012: 0.00%)			
6,831	Babcock International (contracts for difference)	(3)	(0.04)
Consumer Goods – (0.04%) (2012: (0.16%))			
Household Goods – 0.00% (2012: (0.09%))			
Tobacco – (0.04%) (2012: (0.07%))			
5,038	Imperial Tobacco (contracts for difference)	(3)	(0.04)
Healthcare – 0.24% (2012: (0.05%))			
Pharmaceuticals & Biotechnology – 0.24% (2012: (0.05%))			
5,867	AstraZeneca (contracts for difference)	5	0.06
22,516	GlaxoSmithKline (contracts for difference)	14	0.18
		<u>19</u>	<u>0.24</u>
Consumer Services – 1.04% (2012: (0.15%))			
General Retailers – 0.29% (2012: 0.00%)			
26,225	Halfords (contracts for difference)	23	0.29
Media – 0.62% (2012: (0.13%))			
306,833	ITV (contracts for difference)	49	0.62
Travel & Leisure – 0.13% (2012: (0.02%))			
10,283	Compass (contracts for difference)	10	0.13
Telecommunications – 0.08% (2012: 0.00%)			
Fixed Line Telecommunications – 0.09% (2012: 0.00%)			
52,563	BT (contracts for difference)	7	0.09

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
LONG POSITIONS – continued			
UNITED KINGDOM – continued			
Telecommunications – continued			
Mobile Telecommunications – (0.01)% (2012: 0.00%)			
45,347	Vodafone (contracts for difference)	(1)	(0.01)
Utilities – 0.00%(2012: (0.07%))			
Electricity – 0.00% (2012: (0.04%))			
3,694	Scottish & Southern (contracts for difference)#	–	–
Gas, Water & Multiutilities – 0.00% (2012: (0.03%))			
Financials – 0.02% (2012: 0.09%)			
Banks – 0.02% (2012: 0.00%)			
162,794	Lloyds Banking Group (contracts for difference)	2	0.02
Life Insurance – 0.01% (2012: 0.00%)			
11,815	St James's Place (contracts for difference)	1	0.01
Financial Services – (0.01%) (2012: 0.09%)			
77,068	Man Group (contracts for difference)	5	0.06
29,287	Paragon Group of Companies (contracts for difference)	(6)	(0.07)
		(1)	(0.01)
Technology – 0.46% (2012: (0.13%))			
Software & Computer Services – 0.46% (2012: (0.13%))			
31,500	Invensys (contracts for difference)	12	0.15
19,013	Micro Focus International (contracts for difference)	15	0.19
25,241	Sage (contracts for difference)	10	0.12
		37	0.46
Forward Currency Contracts – 0.38% (2012: (0.18%))			
	Buy GBP 1,625,350 Sell CHF 2,326,330 3 June 2013	26	0.33
	Buy GBP 5,526,418 Sell EUR 6,471,473 3 June 2013	(6)	(0.08)
	Buy GBP 235,208 Sell NOK 2,093,035 3 June 2013	1	0.01
	Buy GBP 948,047 Sell SEK 9,508,239 3 June 2013	5	0.06
	Sell GBP 1,600,911 Buy CHF 2,326,330 3 June 2013	(2)	(0.02)
	Sell GBP 5,523,069 Buy EUR 6,471,473 3 June 2013	9	0.11
	Sell GBP 235,989 Buy NOK 2,093,035 3 June 2013	(1)	(0.01)
	Sell GBP 944,451 Buy SEK 9,508,239 3 June 2013	(1)	(0.01)

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
LONG POSITIONS – continued			
UNITED KINGDOM – continued			
Forward Currency Contracts – continued			
	Buy GBP 1,302,904 Sell CHF 1,888,498 30 August 2013	3	0.04
	Buy GBP 3,656,587 Sell EUR 4,278,837 30 August 2013	(5)	(0.06)
	Buy GBP 162,415 Sell NOK 1,452,794 30 August 2013#	–	–
	Buy GBP 823,290 Sell SEK 8,293,923 30 August 2013	1	0.01
		<u>30</u>	<u>0.38</u>
Options – 0.01% (2012: 0.00%)			
41	Euro Stoxx 50 Put Option 2525 June 2013	<u>1</u>	<u>0.01</u>
AUSTRIA – 0.53% (2012: 0.00%)			
Oil & Gas – 0.53% (2012: 0.00%)			
Oil Equipment & Services – 0.53% (2012: 0.00%)			
624	Schoeller-Bleckmann Oilfield	<u>42</u>	<u>0.53</u>
BELGIUM – 1.65% (2012: 1.46%)			
Basic Materials – 1.16% (2012: 1.05%)			
Chemicals – 1.16% (2012: 1.05%)			
4,907	Tessengerlo Chemie	<u>92</u>	<u>1.16</u>
Industrials – 0.00% (2012: 0.41%)			
Financials – 0.49% (2012: 0.00%)			
Banks – 0.49% (2012: 0.00%)			
1,468	KBC Bankverzekerings	<u>39</u>	<u>0.49</u>
CHANNEL ISLANDS – 0.08% (2012: (0.03%))			
Industrials – 0.09% (2012: (0.03%))			
Support Services – 0.09% (2012: (0.03%))			
1,224	Wolseley (contracts for difference)	<u>7</u>	<u>0.09</u>
Healthcare – (0.03%) (2012: 0.00%)			
Pharmaceuticals & Biotechnology – (0.03%) (2012: 0.00%)			
3,674	Shire (contracts for difference)	<u>(2)</u>	<u>(0.03)</u>
Consumer Services – 0.02% (2012: 0.00%)			
Media – 0.02% (2012: 0.00%)			
3,549	WPP (contracts for difference)	<u>2</u>	<u>0.02</u>

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
LONG POSITIONS – continued			
CYPRUS – 0.98% (2012: 0.00%)			
Oil & Gas – 0.98% (2012: 0.00%)			
Oil Equipment & Services – 0.98% (2012: 0.00%)			
12,654	Prosafe	78	0.98
DENMARK – 1.88% (2012: 0.00%)			
Consumer Goods – 1.88% (2012: 0.00%)			
Personal Goods – 1.88% (2012: 0.00%)			
6,602	Pandora	150	1.88
FINLAND – 0.82% (2012: 0.00%)			
Financials – 0.82% (2012: 0.00%)			
Non-Life Insurance – 0.82% (2012: 0.00%)			
2,418	Sampo Oyj	65	0.82
FRANCE – 6.86% (2012: 6.33%)			
Industrials – 0.10% (2012: 0.00%)			
Aerospace & Defence – 0.10% (2012: 0.00%)			
3,266	Thales (contracts for difference)	8	0.10
Consumer Goods – 2.84% (2012: 2.79%)			
Automobiles & Parts – 1.52% (2012: 1.27%)			
1,191	Renault (contracts for difference)#	–	–
2,739	Valeo	121	1.52
		121	1.52
Household Goods – 1.32% (2012: 1.52%)			
1,498	Société BIC	105	1.32
Healthcare – 2.68% (2012: 2.03%)			
Pharmaceuticals & Biotechnology – 2.68% (2012: 2.03%)			
1,237	Sanofi (contracts for difference)	2	0.03
2,991	Sanofi	211	2.65
		213	2.68
Consumer Services – 0.06% (2012: 0.48%)			
Food & Drug Retailers – 0.06% (2012: 0.48%)			
4,028	Carrefour (contracts for difference)	5	0.06

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
LONG POSITIONS – continued			
FRANCE – continued			
Financials – 0.02% (2012: 0.00%)			
Non-Life Insurance – 0.02% (2012: 0.00%)			
6,108	AXA (contracts for difference)	2	0.02
Technology – 1.16% (2012: 1.03%)			
Software & Computer Services – 1.16% (2012: 1.03%)			
1,106	Dassault Systemes	92	1.16
GERMANY – 15.14% (2012: 4.24%)			
Basic Materials – 1.98% (2012: 1.22%)			
Chemicals – 1.98% (2012: 1.22%)			
2,220	Bayer	158	1.98
Industrials – 2.01% (2012: 0.75%)			
Industrial Transportation – 1.27% (2012: 0.75%)			
6,040	Deutsche Post	101	1.27
Support Services – 0.74% (2012: 0.00%)			
834	Bertrandt	59	0.74
Consumer Goods – 3.35% (2012: 0.00%)			
Automobiles & Parts – 1.88% (2012: 0.00%)			
1,462	BMW	92	1.15
664	Continental	58	0.73
		150	1.88
Household Goods – 1.47% (2012: 0.00%)			
1,840	Henkel preference shares	117	1.47
Healthcare – 2.41% (2012: 0.00%)			
Healthcare Equipment & Services – 2.41% (2012: 0.00%)			
1,410	Fresenius	110	1.38
5,812	Rhoen-Klinikum	82	1.03
		192	2.41
Consumer Services – 1.12% (2012: 0.00%)			
Travel & Leisure – 1.12% (2012: 0.00%)			
6,258	Lufthansa	89	1.12

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
LONG POSITIONS – continued			
GERMANY – continued			
Telecommunications – 1.09% (2012: 0.00%)			
Mobile Telecommunications – 1.09% (2012: 0.00%)			
6,166	Freenet	87	1.09
Financials – 0.95% (2012: 0.00%)			
Real Estate Investment Services – 0.95% (2012: 0.00%)			
10,035	TAG Immobilien	76	0.95
Technology – 2.23% (2012: 2.27%)			
Software & Computer Services – 1.16% (2012: 2.27%)			
4,874	United Internet	92	1.16
Technology Hardware & Equipment – 1.07% (2012: 0.00%)			
15,068	Infineon Technologies	85	1.07
IRELAND – 2.52% (2012: 1.10%)			
Industrials – 2.41% (2012: 0.00%)			
General Industrials – 0.99% (2012: 0.00%)			
7,220	Smurfit Kappa	79	0.99
Support Services – 1.42% (2012: 0.00%)			
4,516	DCC	113	1.42
Consumer Goods – 0.00% (2012: 0.00%)			
Beverages – 0.00% (2012: 0.00%)			
9,581	C&C Group (contracts for difference)#	–	–
Financials – 0.11% (2012: 0.00%)			
Banks – 0.11% (2012: 0.00%)			
428,622	Bank of Ireland (contracts for difference)	9	0.11
Healthcare – 0.00% (2012: 1.10%)			
ITALY – 6.09% (2012: 0.00%)			
Industrials – 4.10% (2012: 0.00%)			
Industrial Engineering – 4.10% (2012: 0.00%)			
55,589	Interpump Group	326	4.10

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
LONG POSITIONS – continued			
ITALY – continued			
Consumer Services – 1.99% (2012: 0.00%)			
Food & Drug Retailers – 1.99% (2012: 0.00%)			
19,516	Marr SPA	158	1.99
NETHERLANDS – 8.51% (2012: 4.55%)			
Basic Materials – 0.99% (2012: 1.10%)			
Chemicals – 0.99% (2012: 1.10%)			
1,867	Akzo Nobel	79	0.99
Industrials – 0.93% (2012: 0.00%)			
Aerospace & Defence – 0.19% (2012: 0.00%)			
2,610	EADS (contracts for difference)	15	0.19
Electronic & Electrical Equipment – 0.74% (2012: 0.00%)			
3,157	Koninklijke Philips	59	0.74
Consumer Goods – 0.00% (2012: 0.94%)			
Beverages – 0.00% (2012: 0.94%)			
Healthcare – 0.68% (2012: 0.00%)			
Pharmaceuticals & Biotechnology – 0.68% (2012: 0.00%)			
4,369	Qiagen	54	0.68
Consumer Services – 4.03% (2012: 1.48%)			
Food & Drug Retailers – 2.04% (2012: 0.00%)			
15,081	Koninklijke Ahold	162	2.04
Media – 1.99% (2012: 1.48%)			
7,122	Reed Elsevier	77	0.97
5,591	Wolters Kluwer certificates	81	1.02
		158	1.99
Telecommunications – 1.88% (2012: 1.03%)			
Fixed Line Telecommunications – 1.88% (2012: 1.03%)			
6,280	Ziggo NV	150	1.88

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
	LONG POSITIONS – continued		
	NORWAY – 0.98% (2012: 1.06%)		
	Industrials – 0.98% (2012: 1.06%)		
	Construction & Materials – 0.98% (2012: 0.00%)		
14,761	Veidekke ASA	78	0.98
	General Industrials – 0.00% (2012: 1.06%)		
	SPAIN – 0.72% (2012: 0.00%)		
	Consumer Goods – 0.72% (2012: 0.00%)		
	Food Producers – 0.72% (2012: 0.00%)		
4,429	Ebro Foods	57	0.72
	SWEDEN – 9.37% (2012: 2.08%)		
	Consumer Goods – 3.93% (2012: 1.02%)		
	Household Goods – 0.00% (2012: 1.02%)		
	Food Producers – 3.93% (2012: 0.00%)		
175,074	Cloetta AB	313	3.93
	Healthcare – 3.04% (2012: 1.06%)		
	Healthcare Equipment & Services – 0.00% (2012: 1.06%)		
	Pharmaceuticals & Biotechnology – 3.04% (2012: 0.00%)		
28,573	Meda AB	242	3.04
	Financials – 2.40% (2012: 0.00%)		
	Banks – 1.02% (2012: 0.00%)		
9,964	Nordea	81	1.02
	Financial Services – 1.38% (2012: 0.00%)		
6,261	Kinnevik Investment AB	110	1.38
	SWITZERLAND – 11.30% (2012: 7.95%)		
	Industrials – 0.00% (2012: 1.23%)		
	Basic Materials – 0.72% (2012: 0.00%)		
	Chemicals – 0.72% (2012: 0.00%)		
222	Syngenta	57	0.72

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
LONG POSITIONS – continued			
SWITZERLAND – continued			
Consumer Goods – 2.29% (2012: 1.25%)			
Food Producers – 1.21% (2012: 1.25%)			
2,524	Aryzta	96	1.21
Personal Goods – 1.08% (2012: 0.00%)			
227	The Swatch Group 'B'	86	1.08
Healthcare – 5.84% (2012: 4.48%)			
Pharmaceuticals & Biotechnology – 5.84% (2012: 4.48%)			
4,964	Novartis (registered)	236	2.96
1,396	Roche Holding – participating	229	2.88
		465	5.84
Financials – 2.45% (2012: 0.99%)			
Banks – 2.45% (2012: 0.99%)			
16,697	UBS (registered)	195	2.45
UNITED STATES – 0.00% (2012: 2.05%)			
Technology – 0.00% (2012: 2.05%)			
Total Long Positions		5,544	69.66
SHORT POSITIONS			
UNITED KINGDOM – (0.16%) (2012: 0.10%)			
Consumer Goods – 0.01% (2012: 0.00%)			
Beverages – 0.01% (2012: 0.00%)			
(3,997)	Diageo (contracts for difference)	1	0.01
Consumer Services – 0.01% (2012: 0.00%)			
Food & Drug Retailers – 0.01% (2012: 0.00%)			
(23,299)	Morrison (Wm) Supermarkets (contracts for difference)	1	0.01
Telecommunications – 0.00% (2012: (0.04%))			
Financials – 0.00% (2012: 0.11%)			
Real Estate – 0.00% (2012: (0.01%))			

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
SHORT POSITIONS – continued			
UNITED KINGDOM – continued			
Futures – (0.18%) (2012: 0.03%)			
(12)	LIFFE FTSE 100 Index Future June 2013	<u>(14)</u>	<u>(0.18)</u>
FRANCE – 0.14% (2012: 0.05%)			
Consumer Goods – 0.01% (2012: 0.03%)			
Beverages – 0.01% (2012: 0.00%)			
(977)	Pernod-Ricard (contracts for difference)	<u>1</u>	<u>0.01</u>
Personal Goods – 0.00% (2012: 0.03%)			
Telecommunications – 0.10% (2012: 0.00%)			
Fixed Line Telecommunications – 0.10% (2012: 0.00%)			
(8,699)	France Telecom (contracts for difference)	<u>8</u>	<u>0.10</u>
Financials – 0.00% (2012: 0.02%)			
Futures – 0.03% (2012: 0.00%)			
(9)	EOP CAC40 10 Euro Future June 2013	<u>2</u>	<u>0.03</u>
GERMANY – (0.61%) (2012: 0.22%)			
Technology – 0.03% (2012: 0.00%)			
Software & Computer Services – 0.03% (2012: 0.00%)			
(2,674)	Software AG Bearer (contracts for difference)	<u>2</u>	<u>0.03</u>
Utilities – 0.00% (2012: 0.10%)			
Financials – 0.00% (2012: 0.12%)			
Futures – (0.64%) (2012: 0.00%)			
(3)	EUX Dax Index Future June 2013	<u>(51)</u>	<u>(0.64)</u>
IRELAND – 0.00% (2012: 0.09%)			
Industrials – 0.00% (2012: 0.09%)			

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
SHORT POSITIONS – continued			
ITALY – 0.00% (2012: 0.04%)			
Consumer Goods – 0.00% (2012: 0.04%)			
NETHERLANDS – (0.02%) (2012: 0.00%)			
Basic Materials – (0.02%) (2012: 0.00%)			
Chemicals – (0.02%) (2012: 0.00%)			
(39)	Koninklijke DSM (contracts for difference)	(2)	(0.02)
SPAIN – (0.01%) (2012: 0.05%)			
Telecommunications – 0.00% (2012: 0.05%)			
Financials – (0.01%) (2012: 0.00%)			
Banks – (0.01%) (2012: 0.00%)			
(16,107)	BBV Argentaria (contracts for difference)#	–	–
(17,223)	Banco Santander (contracts for difference)	(1)	(0.01)
		(1)	(0.01)
SWEDEN – (0.35%) (2012: 0.06%)			
Futures – 0.04% (2012: 0.00%)			
(32)	SSE OMXS30 Index Future June 2013	3	0.04
Industrials – (0.02%) (2012: 0.00%)			
Industrial Engineering – (0.02%) (2012: 0.00%)			
(4,573)	Atlas Copco AB (contracts for difference)	(2)	(0.02)
(8,516)	Sandvik AB (contracts for difference)#	–	–
		(2)	(0.02)
Consumer Services – 0.01% (2012: 0.00%)			
General Retailers – 0.01% (2012: 0.00%)			
(4,255)	Hennes & Mauritz B (contracts for difference)	1	0.01
Other Investments – (0.38%) (2012: 0.06%)			
(3,749)	Dow Jones Euro STOXX Mid Index (contracts for difference)	(30)	(0.38)

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
SHORT POSITIONS – continued			
SWITZERLAND – (0.02%) (2012: 0.14%)			
Industrials – 0.01% (2012: 0.14%)			
Industrial Engineering – 0.01% (2012: 0.14%)			
(6,715)	ABB (contracts for difference)	1	0.01
Futures – (0.03%) (2012: 0.00%)			
(7)	EUX Swiss Market Index Future June 2013	(2)	(0.03)
Total Short Positions		(82)	(1.03)
Investment assets including investment liabilities		5,462	68.63
Net other assets		2,497	31.37
Net assets		7,959	100.00

Unless otherwise stated, all investments are listed equities. Contracts for difference are not listed securities and are traded over the counter through brokers.

* In the case of derivative instruments, Market Value refers to the net profit or loss, in line with the provisions in the SORP

‡ In the case of derivative instruments Economic Exposure refers to the gross position taken by the Fund

Market value less than £500

Statement of total return for the year ended 31 May 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Income					
Net capital gains/(losses)	2		1,480		(54)
Revenue	4	196		95	
Expenses	5	(435)		(138)	
Net expense before taxation		(239)		(43)	
Taxation	6	61		(9)	
Net expense after taxation			(178)		(52)
Total return before distributions			1,302		(106)
Finance costs: Distributions	7		(141)		–
Changes in net assets attributable to shareholders from investment activities			1,161		(106)

Statement of change in net assets attributable to shareholders for the year ended 31 May 2013

		2013		2012	
		£000	£000	£000	£000
Opening net assets attributable to shareholders			7,651		10,781
Amounts receivable on issue of shares		778		718	
Amounts payable on cancellation of shares		(1,767)		(3,742)	
			(989)		(3,024)
Change in net assets attributable to shareholders from investment activities (see above)			1,161		(106)
Retained distribution on accumulation shares			136		–
Closing net assets attributable to shareholders			7,959		7,651

Balance sheet as at 31 May 2013

		2013		2012	
	Notes	£000	£000	£000	£000
Assets					
Investment assets			5,594		2,437
Debtors	8	669		364	
Cash and bank balances	9	2,095		5,378	
Total other assets			<u>2,764</u>	<u>5,742</u>	
Total assets			8,358		8,179
Liabilities					
Investment liabilities			(132)		(77)
Creditors	10	(267)		(390)	
Bank overdraft		–		(61)	
Total other liabilities			<u>(267)</u>	<u>(451)</u>	
Total liabilities			(399)		(528)
Net assets attributable to shareholders			<u>7,959</u>		<u>7,651</u>

1 Accounting policies

The accounting, distribution and risk management policies are set out in notes 1 to 3 of the aggregated financial statements on pages 10 to 14.

2 Net capital gains/(losses)

The net gains/(losses) on investments during the year comprise:

	2013	2012
	£000	£000
Capital special dividend	2	6
Derivative securities	6	512
Forward foreign currency contracts	(344)	142
Non-derivative securities	1,819	(607)
Other currency gains/(losses)	22	(80)
Transaction costs	(25)	(27)
Net capital gains/(losses)	1,480	(54)

3 Portfolio transaction costs

	2013	2012
	£000	£000
Purchases in year before transaction costs	24,618	26,770
Commissions	32	38
Taxes and other transfer charges	8	3
Total purchase transaction costs*	40	41
Purchases including transaction costs	24,658	26,811
Sales in year before transaction costs	23,507	28,742
Commissions	(27)	(41)
Total sale transaction costs*	(27)	(41)
Sales net of transaction costs	23,480	28,701
Transaction handling charges*	25	27

* These amounts have been deducted in determining net capital gains/(losses).

Notes to the financial statements (continued)

4 Revenue

	2013	2012
	£000	£000
Bank interest	1	8
Deposit interest	9	25
Income from contracts for difference	2	(24)
Overseas dividends	184	79
Stock dividends	–	6
Securities lending revenue	–	1
Total revenue	196	95

5 Expenses

	2013	2012
	£000	£000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's periodic charge	99	118
Administration fee	–	2
General administration charge (see note 1g)*	15	14
Performance fee payable to ACD	319	1
	433	135
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	1	2
Safe custody fee	1	–
	2	2
Other expenses:		
Audit fee	–	1
	–	1
Total expenses	435	138

* The current year audit fee is £12,540 (2012: £12,540). The audit fee levied through the GAC charge is £12,540 (2012: £11,240).

Notes to the financial statements (continued)

6 Taxation

(a) Analysis of charge in year

The tax charge comprises:

	2013	2012
	£000	£000
Overseas tax	(61)	9
Total current tax for year (Note 6b)	(61)	9
Deferred tax (Note 6c)	–	–
Total taxation	(61)	9

(b) Factors affecting current tax charge for the year

The tax assessed for the year is different to the standard rate of Corporation tax in the UK for authorised open ended investment companies (OEICs) of 20%. The differences are explained below:

	2013	2012
	£000	£000
Net expense before taxation	(239)	(43)
Corporation tax at 20% (2012: 20%)	(48)	(9)
Effects of:		
Current year expenses not utilised	85	26
Recoverable overseas tax	(61)	9
Revenue not subject to taxation	(37)	(17)
Current tax charge for year (Note 6a)	(61)	9

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2012: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £1,192,000 (2012: £1,107,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Finance costs

Distributions and interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2013	2012
	£000	£000
Final Accumulation Dividend Distribution	136	–
Amounts deducted on cancellation of shares	12	–
Amounts received on issue of shares	(7)	–
Finance costs: Distributions	141	–
Total finance costs	141	–
Net expense after taxation	(178)	(52)
Performance fee borne by the capital account	319	1
Revenue deficit transferred to the capital account	–	57
Stock dividend treated as capital	–	(6)
Finance costs: Distributions	141	–

8 Debtors

	2013	2012
	£000	£000
Accrued revenue	7	–
Amounts receivable for issue of shares	69	–
Amount receivable from counterparty regarding CFD contracts	24	–
Currency transactions awaiting settlement	1	–
Overseas tax recoverable	88	9
Sales awaiting settlement	480	355
Total debtors	669	364

9 Cash and bank balances

	2013	2012
	£000	£000
Amounts held at derivative clearing houses and brokers	165	26
Cash and bank balances	1,930	5,352
Total cash and bank balances	2,095	5,378

Notes to the financial statements (continued)

10 Creditors

	2013	2012
	£000	£000
Accrued ACD's periodic charge	9	9
Accrued expenses	94	6
Amounts payable for cancellation of shares	–	2
Amount payable to counterparty regarding CFD contracts	3	4
Currency transactions awaiting settlement	1	–
Purchases awaiting settlement	160	369
Total creditors	267	390

11 Securities Lending

The Fund and the Investment Manager have entered into a securities lending programme with HSBC Securities Services acting as the Securities Lending Agent for the purposes of efficient portfolio management and in order to generate income.

Securities lending revenue is disclosed under 'Revenue' in the Statement of total return. The gross securities lending revenue for the year was £362 with expenses of £72 deducted to give net securities lending revenue of £290 (2012: nil).

There is no stock on loan at the current year end (2012: nil). Consequently there is no collateral held at the current year end (2012: nil).

Notes to the financial statements (continued)

12 Financial derivatives

The Fund has used financial derivatives for hedging and meeting the investment objectives including risk reduction and implementation of investment policies.

The use of derivatives can create additional counterparty risks. Details of the Manager's policies for managing counterparty and other risks are set out in note 3 to the aggregated financial statements.

The types of derivatives held at the year-end were contracts for difference, forward foreign currency contracts, futures and options. Details of individual contracts are shown in the portfolio statement on pages 160 to 169, and the total position by counterparty at the year-end is summarised below:

At 31 May 2013 the underlying exposure for each category of derivatives was as follows:

	Net contracts for difference £000	Net forward foreign currency contracts £000	Net futures £000	Options £000	Total £000
Counterparty					
Citibank	–	(4)	–	–	(4)
Credit Suisse First Boston	–	30	–	–	30
Merrill Lynch International	–	1	–	–	1
UBS London	1,586	3	(2,398)	23	(786)
	<u>1,586</u>	<u>30</u>	<u>(2,398)</u>	<u>23</u>	<u>(759)</u>

At 31 May 2012 the underlying exposure for each category of derivatives was as follows:

	Net contracts for difference £000	Net forward foreign currency contracts £000	Net futures £000	Options £000	Total £000
Counterparty					
Citibank	–	1	–	–	1
Credit Suisse First Boston	–	(7)	–	–	(7)
Deutsche Bank	–	(5)	–	–	(5)
HSBC Bank	–	(2)	–	–	(2)
UBS London	(333)	(1)	212	–	(122)
	<u>(333)</u>	<u>(14)</u>	<u>212</u>	<u>–</u>	<u>(135)</u>

Eligible collateral types are approved by the Investment Manager and may consist of cash, UK gilts, certificates of deposit, treasury bills, sovereign debts, eurosterling bonds and equities.

At 31 May 2013 no collateral was either held by the Fund or had been paid out to counterparties in respect of the above (2012: £nil).

Notes to the financial statements (continued)

13 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current year end (2012: nil).

14 Related party transactions

The Financial Reporting Standard number 8 ("FRS 8") on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS 8 the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 170 and 171 and notes 5, 8 and 10 on pages 173 to 176 including all creations and cancellations where the ACD acted as principal.

Cofunds Nominees Limited, as a material shareholder, is a related party with a 14.07% shareholding (2012: 12.21%).

Hargreaves Lansdown Nominees Limited, as a material shareholder, is a related party with a 11.05% shareholding (2012: 10.18%).

Material transactions throughout the year such as creations and cancellations for these shareholders are included in the Statement of change in net assets attributable to shareholders.

15 Shareholder funds

The Fund currently has 2 share classes, Class A (Retail with front-end charges), and Class I (Institutional). The ACD's periodic charge on each share class is as follows:

Class A	1.50%
Class I	0.75%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 155. The distribution per share class is given in the distribution tables on page 180. All share classes have the same rights on winding up.

Notes to the financial statements (continued)

16 Risk disclosures

Risk policies in respect of financial assets and liabilities are set out in note 3 of the aggregated financial statements on pages 13 and 14.

Currency risk

Net currency monetary assets and liabilities consist of:

	Investment assets including investment liabilities	Net other assets/ liabilities	Net assets
Currency	£000	£000	£000
2013			
Danish krone	150	1	151
Euro	(436)	481	45
Norwegian krone	(6)	3	(3)
Swedish krona	(74)	87	13
Swiss franc	(403)	392	(11)
UK sterling	6,231	1,530	7,761
US dollar	–	3	3
Total	5,462	2,497	7,959
2012			
Euro	(498)	288	(210)
Norwegian krone	–	2	2
Swedish krona	(6)	5	(1)
Swiss franc	(54)	(13)	(67)
UK sterling	2,689	4,997	7,686
US dollar	229	12	241
Total	2,360	5,291	7,651

Sensitivity analysis

The ACD assesses the market risk of the Funds' investments including any derivative exposures, using a Value at Risk (VaR) methodology. This process provides the ACD with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. If the number is lower than that of its representative benchmark it should be less volatile than the benchmark or more volatile if higher than the benchmark.

The ACD uses the Risk Manager application from Risk Metrics. The VaR is calculated daily on a 99% confidence level using a one month forward looking time horizon. The model uses 2 years of weekly data which is equally weighted. The European Absolute Return Fund is measured against the benchmark MSCI Europe Index for comparison purposes. As at the accounting date of this report the Fund's Monthly VaR is 5.77% (2012: 2.50%) compared to the MSCI Europe Index which is 12.86% (2012: 11.42%). The Fund's annual VaR is 15.05% (2012: 8.01%) compared to the MSCI Europe Index which is 38.67% (2012: 36.47%). It should be noted that the VaR is only an indication of risk and the actual price movements may prove to be less or more volatile than predicted.

The Fund may open positions on Over-the-Counter (OTC) derivatives, which will typically be futures, options, contracts for difference (CFD) and swaps. Of these, the Fund predominantly uses Futures, and contracts for difference. Futures allow the Investment Manager to purchase an asset (or to sell an asset) at a predetermined future date and price, enabling them to manage the risk to the Fund.

A CFD is an agreement to exchange the difference between the price of a share at the opening and the price of a share at the closing of a particular trade. This will either result in a profit or a loss for the Fund.

The ACD monitors the Fund's portfolio against the Fund's investment restrictions and risk management policy on a daily basis.

Distribution tables for the year ended 31 May 2013 (in pence per share)

There was no distribution for the six months ended 30 November 2012.

Final dividend distribution (accounting date 31 May 2013, payable on 31 July 2013)

Group 1: shares purchased prior to 1 December 2012

Group 2: shares purchased on or after 1 December 2012

	Net revenue	Equalisation	Distribution payable 31/07/13	Distribution paid 31/07/12
Class A accumulation				
Group 1	1.954	–	1.954	–
Group 2	0.996	0.958	1.954	–
Class I accumulation				
Group 1	3.075	–	3.075	–
Group 2	0.907	2.168	3.075	–

Henderson UK Absolute Return Fund

Managers' report

Fund Managers

Ben Wallace and Luke Newman

Investment objective and policy

The Fund aims to achieve a positive absolute return over the long-term regardless of market conditions, by taking long and short positions primarily in equities or equity related derivative contracts of companies having their registered office in the UK; and companies that do not have their registered office in the UK but either (i) carry out a predominant proportion of their business activity in these markets, or (ii) are holding companies which predominantly own companies with registered offices in the UK, although all or a substantial proportion of the physical assets of the Fund may at any time consist of cash, near cash, deposits and/or money market instruments.

The Fund will invest in companies of any market capitalisation.

Long positions may be held through a combination of direct investment and/or derivative instruments. Short positions will be held through derivative positions, primarily equity swaps and futures.

The use of derivatives forms an important part of the investment strategy.

The Fund may also invest at the Manager's discretion in other transferable securities, derivative instruments and collective investment schemes.

Performance summary

	1 Jun 12- 31 May 13	1 Jun 11- 31 May 12	1 Jun 10- 31 May 11	1 Jun 09*- 31 May 10
	%	%	%	%
Henderson UK Absolute Return Fund	14.0	(3.8)	7.2	4.3

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, net of fees, GBP. Figures in brackets are negative.

* 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.

Significant portfolio changes for the year ended 31 May 2013

Purchases	£000	Sales/Maturities	£000
Nordea Bank 0.63% 9/8/2012	14,001	Deutsche Global Liquidity Series	17,500
Credit Suisse 0.65% 5/10/2012	13,001	Toronto Dominion Bank 0.5% 19/6/2012	15,000
Deutsche Global Liquidity Series	10,504	DNB ASA 0.54% 31/7/2012	14,000
Nationwide Building Society 1.16% 25/10/2012	10,011	Nordea Bank 0.63% 9/8/2012	14,000
Commonwealth Bank of Australia 0.3% 1/11/2012	10,000	Svenska Handelsbanken 1.05% 10/8/2012	14,000
Clydesdale Bank 0.52% 10/10/2012	10,000	Credit Suisse 0.65% 5/10/2012	13,000
JP Morgan 0.5% 14/11/2012	10,000	Clydesdale Bank 0.52% 10/10/2012	10,000
Nordea Bank 0.55% 9/11/2012	10,000	Commonwealth Bank of Australia 0.3% 1/11/2012	10,000
Barclays 0.4% 23/11/2012	8,000	JP Morgan 0.5% 14/11/2012	10,000
Commonwealth Bank of Australia 0.3% 3/12/12	8,000	Nordea Bank 0.55% 9/11/2012	10,000

Market review

UK equities made strong gains over the twelve-month period. Equity markets were boosted by positive global macroeconomic data, particularly out of the US, which suggested an improving global economy, as well as central bank policy, which continued to provide a significant liquidity boost to the markets. However, in the final months of the period, the inconclusive Italian election results and bailout of Cyprus' banking sector led investors to take on a more cautious stance. Nonetheless UK equities climbed to five-year highs during the period and the UK avoided a triple-dip recession, expanding by a better-than-expected 0.3% in the first quarter of 2013, driven by growth in the key services sector and some improvement in industrial output.

Fund performance and attribution

The Fund delivered a positive return of 14.0% in the twelve months to 31 May 2013.

Within the core book we continued to benefit from our long-standing position in telecom group BT. The group continues to generate strong cash flow allowing the group to pay generous dividends, delever the balance sheet and invest in the core business concurrently. Following a strong rise in the shares over the past six months we have reduced the position size. A relatively new position in mining conglomerate BHP Billiton detracted from performance. Whilst we are definitely not believers in the mining 'supercycle' we now can observe equity value emerging in BHP Billiton. Post-2013 capital expenditure should begin to fall and even in a scenario where commodity prices weaken we would expect free cash flow to turn positive.

In addition, our core long holding in utility group National Grid continued to deliver value. We have long held the belief that a regulated asset that pays a dividend yield in excess of 5% and has the ability to grow that dividend at least in line with inflation is an attractive asset. The shares performed well during the period as investors began to re-rate the shares due to this secure income stream. Given this strong performance the position remains in the core book but has been greatly reduced in size.

On the core short book, one of the key winners was Royal Bank of Scotland. Whilst we believe the management of the group are highly capable, the combination of a weak balance sheet, a large element of UK government ownership and ongoing balance sheet shrinkage make this an unattractive investment.

The Fund also benefited from a tactical long in Bank of Ireland. The position was established on the view that the company was seeing a stabilisation of its net interest margin and the market was wrongly anticipating an equity issue over the short term. During the period the company reported good progress on its margins and did not raise equity leading to a very strong rally in the shares in March. The position was sold following this performance.

Outlook

Overall, despite a view that the macroeconomic environment will remain subdued at best, we continue to find good investment opportunities on both the long and short sides of the portfolio. Within the long book we continue to believe that there are shares that remain materially undervalued if interest rates and bond yields remain low. Companies that fit this profile include National Grid, Centrica and GlaxoSmithKline. We also believe that there is considerable value in some businesses that have suffered due to this prolonged period of low interest rates. Insurance groups such as Resolution and Phoenix Group have seen investment income plummet due to continual decline in high quality bond yields. These companies now look cheap at current bond yields and offer considerable upside if interest rates rise or yield curves steepen.

Within the short book we have targeted several companies where we believe the groups have not properly invested in their businesses in order to maintain profits and cash flow over the short term. These short positions have been grown into rising equity markets.

Finally, within the tactical book we are pleased to report that continued stock dispersion has led gross exposure and portfolio turnover to rise, resulting in stronger performance for the Fund.

Comparative tables as at 31 May 2013

Net asset value per share

	Net asset value of Fund (£)	Net asset value of shares (£)	Number of shares in issue	Net asset value per share (pence)
Class A accumulation				
31/05/2011	338,053,611	125,494,135	108,520,135	115.64
31/05/2012	316,444,244	88,106,908	79,496,018	110.83
31/05/2013	160,076,106	47,416,721	37,520,145	126.38
Class I accumulation				
31/05/2011	338,053,611	212,559,476	182,255,520	116.63
31/05/2012	316,444,244	228,337,336	203,093,187	112.43
31/05/2013	160,076,106	112,659,385	86,845,450	129.72

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2009**	–	108.79	99.99
2010	–	112.77	107.03
2011	–	116.50	109.52
2012	–	116.71	110.87
2013	–+	127.47*	116.71*
Class I accumulation			
2009**	–	109.05	99.99
2010	0.33	113.53	107.58
2011	–	117.54	110.56
2012	0.53	119.33	112.43
2013	–+	130.83*	119.50*

* to 31 May

+ to 31 July

** From 14 April 2009 to 31 December 2009.

Ongoing charge figure

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. Ongoing charges are all payments deducted from the assets of the Fund during the year, except for payments that are explicitly excluded by regulation.

	2013	2012
	%	%
Class A*	1.75	1.75
Class I*	1.07	1.08

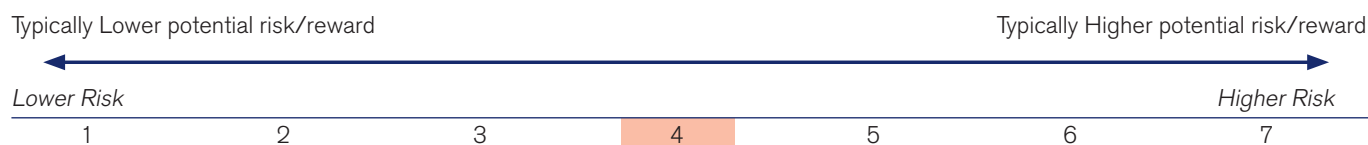
The OCF is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR).

* Please note, in addition to the OCF, a performance fee of 2.61% (2012: nil) has been charged to the class A share class and 2.11% (2012: nil) to the class I share class. For further details see the Prospectus.

Risk and reward profile

The Fund currently has 2 types of shares in issue:
A accumulation and I accumulation.

The risk and reward profile is the same for each type of share and 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 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 single region
- As a category, shares are more volatile than either bonds or money market instruments
- The Fund's short exposures mean it can lose money if certain shares rise in price
- 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.

Since the issue of the KIID there have been no changes to the risk ratings in the year.

The Synthetic risk and reward indicator (SRRI) conforms to the CESR guidelines for the calculation of the SRRI.

Holding	Investment	Market value* £000	Percentage of total net assets %
LONG POSITIONS			
UNITED KINGDOM – 50.71% (2012: 20.18%)			
Oil & Gas – 0.07% (2012: (0.41%))			
Oil & Gas Producers – 0.05% (2012: (0.35%))			
334,020	BP (contracts for difference)	69	0.04
258,660	Eland Oil and Gas (contracts for difference)	(9)	–
95,858	Royal Dutch Shell 'B' (contracts for difference)	24	0.01
		<u>84</u>	<u>0.05</u>
Oil Equipment & Services – 0.02% (2012: (0.06%))			
137,834	John Wood Group (contracts for difference)	30	0.02
Basic Materials – 0.00% (2012: (0.03%))			
Chemicals – 0.00% (2012: (0.01%))			
Forestry & Paper – 0.00% (2012: 0.00%)			
205,227	Mondi (contracts for difference)	8	–
Mining – 0.00% (2012: (0.02%))			
104,193	Anglo American (contracts for difference)	(33)	(0.02)
167,432	BHP Billiton (contracts for difference)	31	0.02
		<u>(2)</u>	<u>–</u>
Industrials – 2.39% (2012: (0.26%))			
Aerospace & Defence – 0.25% (2012: (0.01%))			
446,612	BAE Systems (contracts for difference)	80	0.05
483,327	Meggitt (contracts for difference)	224	0.14
208,484	Senior (contracts for difference)	100	0.06
		<u>404</u>	<u>0.25</u>
Construction & Materials – 0.09% (2012: (0.06%))			
353,947	Costain (contracts for difference)	138	0.09
Electronic & Electrical Equipment – 1.13% (2012: (0.05%))			
769,787	Hellermannntyton Group	1,809	1.13
General Industrials – 0.17% (2012: (0.13%))			
981,018	Smiths (contracts for difference)	266	0.17

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
LONG POSITIONS – continued			
UNITED KINGDOM – continued			
Industrials – continued			
Industrial Transportation – 0.18% (2012: 0.00%)			
462,467	BBA (contracts for difference)	291	0.18
Support Services – 0.57% (2012: (0.01%))			
22,422	Atkins (WS) (contracts for difference)	11	0.01
118,431	Babcock International (contracts for difference)	87	0.05
168,050	Berendsen (contracts for difference)	345	0.22
506,409	Hays (contracts for difference)	–	–
288,892	Homeserve (contracts for difference)	65	0.04
202,207	Interserve (contracts for difference)	224	0.14
396,851	Northgate (contracts for difference)	98	0.06
749,132	SIG (contracts for difference)	85	0.05
		<u>915</u>	<u>0.57</u>
Consumer Goods – 0.31% (2012: (0.07%))			
Beverages – 0.00% (2012: 0.00%)			
96,132	Britvic (contracts for difference)	6	–
6,041	SABMiller (contracts for difference)	(1)	–
		<u>5</u>	<u>–</u>
Food Producers – 0.00% (2011: (0.01%))			
Household Goods – 0.31% (2012: (0.06%))			
87,447	Berkeley Group (contracts for difference)	328	0.20
777,241	Taylor Wimpey (contracts for difference)	171	0.11
		<u>499</u>	<u>0.31</u>
Personal Goods – (0.02%) (2012: 0.00%)			
34,193	Burberry (contracts for difference)	(33)	(0.02)
Tobacco – 0.02% (2012: 0.00%)			
55,063	Imperial Tobacco (contracts for difference)	30	0.02

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
LONG POSITIONS – continued			
UNITED KINGDOM – continued			
Healthcare – 0.03% (2012: 0.00%)			
Healthcare Equipment & Services – 0.00% (2011: (0.01%))			
Pharmaceuticals & Biotechnology – 0.03% (2012: 0.01%)			
48,063	AstraZeneca (contracts for difference)	28	0.02
122,205	GlaxoSmithKline (contracts for difference)	25	0.01
		<u>53</u>	<u>0.03</u>
Consumer Services – 0.62% (2012: (0.40%))			
General Retailers – 0.01% (2012: (0.01%))			
145,357	Inchcape (contracts for difference)	<u>14</u>	<u>0.01</u>
Media – 0.11% (2012: (0.19%))			
112,161	Daily Mail & General Trust (contracts for difference)	72	0.04
624,677	ITV (contracts for difference)	29	0.02
308,816	Pearson (contracts for difference)	84	0.05
205,759	Reed Elsevier (contracts for difference)	(7)	–
		<u>178</u>	<u>0.11</u>
Travel & Leisure – 0.50% (2012: (0.20%))			
372,783	Betfair (contracts for difference)	280	0.17
72,879	Easy Jet (contracts for difference)	335	0.21
85,375	Greene King (contracts for difference)	(1)	–
303,502	International Consolidated Airlines (contracts for difference)	19	0.01
45,967	Mitchells & Butlers (contracts for difference)	26	0.02
374,730	National Express (contracts for difference)	22	0.01
264,207	TUI Travel (contracts for difference)	67	0.04
62,884	Wetherspoon (contracts for difference)	71	0.04
		<u>819</u>	<u>0.50</u>
Telecommunications – 0.26% (2012: 0.11%)			
Fixed Line Telecommunications – 0.28% (2012: 0.09%)			
1,556,309	BT (contracts for difference)	468	0.29
394,669	Talktalk Telecom (contracts for difference)	(16)	(0.01)
		<u>452</u>	<u>0.28</u>
Mobile Telecommunications – (0.02%) (2012: 0.02%)			
1,011,838	Vodafone (contracts for difference)	<u>(38)</u>	<u>(0.02)</u>

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
LONG POSITIONS – continued			
UNITED KINGDOM – continued			
Utilities – 0.05% (2012: 0.07%)			
Gas, Water & Multiutilities – 0.05% (2012: 0.07%)			
944,011	Centrica (contracts for difference)	103	0.06
233,080	National Grid (contracts for difference)	(23)	(0.01)
		80	0.05
Financials – 1.03% (2012: (0.39%))			
Banks – 0.20% (2012: 0.00%)			
1,349,739	Barclays (contracts for difference)	260	0.16
937,168	HSBC Holdings (contracts for difference)	58	0.04
558,228	Lloyds Banking Group (contracts for difference)	2	–
		320	0.20
Equity Investment Instruments – 0.10% (2012: 0.01%)			
205,409	3i Group (contracts for difference)	120	0.07
836,024	Direct Line Insurance (contracts for difference)	43	0.03
		163	0.10
Financial Services – 0.07% (2012: (0.62%))			
28,304	London Stock Exchange (contracts for difference)	22	0.01
6,509	Schroders non voting (contracts for difference)	40	0.03
146,770	Tullett Prebon (contracts for difference)	44	0.03
		106	0.07
Life Insurance – 0.16% (2012: 0.00%)			
44,755	St. James's Place Capital (contracts for difference)	3	–
3,435,973	Legal & General (contracts for difference)	255	0.16
		258	0.16
Real Estate – (0.01%) (2012: 0.22%)			
232,343	Intu Properties REIT (contracts for difference)	(16)	(0.01)
Real Estate Investment Services – 0.51% (2012: 0.00%)			
95,711	Capital & Counties (contracts for difference)	93	0.06
214,339	Countrywide (contracts for difference)	178	0.11
374,673	LSL Property Services (contracts for difference)	185	0.12
961,040	Grainger (contracts for difference)	353	0.22
		809	0.51

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
LONG POSITIONS – continued			
UNITED KINGDOM – continued			
Technology – 0.35% (2012: 0.23%)			
Software & Computer Services – 0.38% (2012: 0.23%)			
7,302,542	Innovation (contracts for difference)	493	0.31
252,731	Invensys (contracts for difference)	92	0.06
96,646	Micro Focus International (contracts for difference)	19	0.01
		604	0.38
Technology Hardware & Equipment – (0.03%) (2012: 0.00%)			
509,233	Nanoco (contracts for difference)	(54)	(0.03)
Liquid Assets – 45.60% (2012: 21.33%)			
Certificates of Deposit – 45.60% (2012: 21.33%)			
GBP 5,000,000	Merrill Lynch 0.49% 6/6/2013	5,000	3.12
GBP 5,000,000	ING 0.5% 12/7/2013	5,000	3.12
GBP 2,000,000	SEBS 0.46% 13/8/2013	1,999	1.25
GBP 6,000,000	BMO Capital 0.39% 24/6/2013	5,999	3.75
GBP 5,000,000	Toronto Dominion Bank 0.4% 30/8/2013	4,997	3.13
GBP 5,000,000	National Australian Bank 0.4% 15/7/2013	4,999	3.13
GBP 5,000,000	DNB ASA 0.42% 21/6/2013	5,000	3.12
GBP 5,000,000	SEBS 0.47% 08/7/2013	5,000	3.12
GBP 5,000,000	Deutsche Bank 0.5% 25/6/2013	5,000	3.12
GBP 5,000,000	Credit Industrial et Commercial 0.53% 3/6/2013	5,000	3.12
GBP 5,000,000	ABN Amro Bank 0.5% 12/6/2013	5,000	3.12
GBP 6,000,000	JP Morgan 0.45% 15/8/2013	5,998	3.75
GBP 4,000,000	United Overseas Bank 0.46% 30/8/2013	3,999	2.50
GBP 2,000,000	United Overseas Bank 0.43% 19/8/2013	1,999	1.25
GBP 2,000,000	Deutsche Bank 0.5% 14/8/2013	2,000	1.25
GBP 6,000,000	Overseas Chinese Banking 0.41% 19/6/2013	6,000	3.75
		72,990	45.60
BERMUDA – 0.00% (2012: (0.07%))			
Financial – 0.00% (2012: (0.07%))			
Non-Life Insurance – 0.00% (2012: (0.07%))			
CAYMAN ISLANDS – 0.24% (2012: (0.04%))			
Financials – 0.24% (2012: (0.04%))			
Life Insurance – 0.24% (2012: (0.04%))			
465,101	Phoenix Group Holding (contracts for difference)	381	0.24

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
	LONG POSITIONS – continued		
	CHANNEL ISLANDS – 1.17% (2012: (0.27%))		
	Oil & Gas – (0.02%) (2012: 0.09%)		
	Oil & Gas Producers – 0.00% (2012: 0.09%)		
	Oil Equipment & Services – (0.02%) (2012: 0.00%)		
168,166	Cape (contracts for difference)	(37)	(0.02)
	Basic Materials – (0.02%) (2012: (0.01%))		
	Mining – (0.02%) (2012: (0.01%))		
282,069	Glencore Xtrata (contracts for difference)	(27)	(0.02)
	Industrials – 0.00% (2012: (0.01%))		
	Support Services – 0.00% (2012: (0.01%))		
14,462	Wolseley (contracts for difference)	(8)	–
	Healthcare – 0.01% (2012: 0.00%)		
	Pharmaceuticals & Biotechnology – 0.01% (2012: 0.00%)		
48,845	Shire (contracts for difference)	14	0.01
	Consumer Services – 0.04% (2012: 0.01%)		
	Media – 0.04% (2012: 0.01%)		
73,869	WPP (contracts for difference)	57	0.04
	Financials – 1.16% (2012: (0.35%))		
	Life Insurance – 0.53% (2012: (0.35%))		
2,137,365	Resolution (contracts for difference)	856	0.53
	Financial Services – 0.63% (2012: 0.00%)		
983,352	Sherborne Investors	1,003	0.63
	IRELAND – 3.83% (2012: 4.11%)		
	Consumer Goods – 0.08% (2012: 0.00%)		
	Beverages – 0.08% (2012: 0.00%)		
287,087	C&C Group (contracts for difference)	126	0.08
	Financials – 3.75% (2012: 4.11%)		
	Collective Investment Schemes – 3.75% (2012: 4.11%)		
6,003,928	Deutsche Global Liquidity Series	6,004	3.75

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
LONG POSITIONS – continued			
LUXEMBOURG – (0.02%) (2012: 0.00%)			
Telecommunications – (0.02%) (2012: 0.00%)			
Fixed Line Telecommunications – (0.02%) (2012: 0.00%)			
466,493	Colt Group (contracts for difference)	(27)	(0.02)
Total Long Positions		89,524	55.93
SHORT POSITIONS			
UNITED KINGDOM – (1.80%) (2012: 0.77%)			
Oil & Gas – (0.04%) (2012: 0.05%)			
Oil & Gas Producers – (0.04%) (2012: 0.05%)			
(34,340)	BG (contracts for difference)	5	–
(3,034)	Royal Dutch Shell 'B' (contracts for difference)	(67)	(0.04)
		(62)	(0.04)
Basic Materials – 0.04% (2012: 0.29%)			
Chemicals – 0.04% (2012: (0.02%))			
(67,830)	Johnson Matthey (contracts for difference)	58	0.04
Forestry & Paper – 0.00% (2012: 0.03%)			
Mining – 0.00% (2012: 0.28%)			
Industrials – 0.02% (2012: 0.09%)			
Electronic & Electrical Equipment – 0.00% (2012: (0.02%))			
(15,335)	Spectris (contracts for difference)	6	–
Industrial Engineering – (0.02%) (2012: 0.00%)			
(4,004,469)	Rolls-Royce 'C' Shares#	–	–
(9,386)	Spirax-Sarco (contracts for difference)	(11)	(0.01)
(28,639)	Weir Group (contracts for difference)	(9)	(0.01)
		(20)	(0.02)
Support Services – 0.04% (2012: 0.11%)			
(116,517)	Aggreko (contracts for difference)	15	0.01
(18,492)	Bunzl (contracts for difference)	(1)	–
(57,008)	Capita Group (contracts for difference)	31	0.02
(200,418)	Michael Page International (contracts for difference)	(5)	–
(51,211)	Serco Group (contracts for difference)	11	0.01
		51	0.04

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
SHORT POSITIONS – continued			
UNITED KINGDOM – continued			
Consumer Goods – 0.12% (2012: 0.03%)			
Automobiles & Parts – 0.01% (2012: 0.00%)			
(221,813)	GKN (contracts for difference)	20	0.01
Beverages – 0.04% (2012: 0.00%)			
(77,942)	Diageo (contracts for difference)	69	0.04
Food Producers – 0.05% (2012: 0.00%)			
(83,911)	Unilever (contracts for difference)	73	0.05
Household Goods – 0.02% (2012: 0.00%)			
(21,697)	Reckitt Benckiser (contracts for difference)	38	0.02
Personal Goods – 0.00% (2012: 0.03%)			
Healthcare – 0.00% (2012: (0.02%))			
Pharmaceuticals & Biotechnology – 0.00% (2012: (0.02%))			
Consumer Services – (0.98%) (2012: 0.00%)			
General Retailers – (0.04%) (2012: 0.00%)			
(718,408)	Debenhams (contracts for difference)	(65)	(0.04)
Travel & Leisure – (0.94%) (2012: 0.00%)			
(107,465)	Carnival (contracts for difference)	60	0.04
(132,389)	Compass (contracts for difference)	45	0.03
(29,261)	InterContinental Hotels (contracts for difference)	–	–
(3,593,897)	Marston's (contracts for difference)	(1,593)	(1.00)
(27,234)	Whitbread (contracts for difference)	(10)	(0.01)
		<u>(1,498)</u>	<u>(0.94)</u>
Utilities – 0.00% (2012: (0.01%))			
Gas, Water & Multiutilities – 0.00% (2012: (0.01%))			

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
SHORT POSITIONS – continued			
UNITED KINGDOM - continued			
Financials - (0.02%) (2012: 0.23%)			
Banks - 0.04% (2012: 0.02%)			
(79,008)	Standard Chartered (contracts for difference)	59	0.04
Financial Services - (0.05%) (2012: 0.09%)			
(69,666)	Aberdeen Asset Management (contracts for difference)	(6)	–
(140,040)	ICAP (contracts for difference)	(101)	(0.06)
(28,632)	Provident Financial (contracts for difference)	21	0.01
		(86)	(0.05)
Life Insurance - 0.00% (2012: 0.09%)			
(87,165)	Aviva (contracts for difference)	(2)	–
(183,787)	Old Mutual (contracts for difference)	6	–
(29,513)	Standard Life (contracts for difference)	(7)	–
		(3)	–
Non-Life Insurance - 0.00% (2012: 0.03%)			
Real Estate - (0.01%) (2012: 0.00%)			
(230,813)	Land Securities (contracts for difference)	(23)	(0.01)
Technology - (0.03%) (2012: (0.08%))			
Software & Computer Services - (0.03%) (2012: (0.08%))			
(53,717)	Telecity (contracts for difference)	(41)	(0.03)
Futures - (0.05%) (2012: 0.00%)			
(110)	LIFFE FTSE 100 Index Future June 2013	(79)	(0.05)
Other Investments - (0.86%) (2012: 0.19%)			
(990)	FTSE 250 (contracts for difference)	(1,379)	(0.86)
CHANNEL ISLANDS - 0.01% (2012: 0.04%)			
Industrials - 0.01% (2012: 0.04%)			
Support Services - 0.01% (2012: 0.04%)			
(54,468)	Experian (contracts for difference)	23	0.01

Portfolio statement (continued)

Holding	Investment	Market value* £000	Percentage of total net assets %
SHORT POSITIONS – continued			
IRELAND - 0.00% (2012: 0.05%)			
Industrials - 0.00% (2012: 0.05%)			
Construction & Materials - 0.00% (2012: 0.05%)			
Total Short Positions		<u>(2,859)</u>	<u>(1.79)</u>
Investment assets including investment liabilities		<u>86,665</u>	<u>54.14</u>
Net other assets		73,411	45.86
Net assets		<u>160,076</u>	<u>100.00</u>

Unless otherwise stated, all investments are listed securities. Contracts for difference are not listed securities and are traded over the counter through brokers.

Market value less than £500

Statement of total return for the year ended 31 May 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Income					
Net capital gains/(losses)	2		32,843		(14,055)
Revenue	4	2,207		5,682	
Expenses	5	(7,508)		(4,775)	
Finance costs: interest	7	—		(1)	
Net (expense)/revenue before taxation		(5,301)		906	
Taxation	6	—		—	
Net (expense)/revenue after taxation			(5,301)		906
Total return before distributions			27,542		(13,149)
Finance costs: Distributions	7		—		(1,132)
Changes in net assets attributable to shareholders from investment activities			27,542		(14,281)

Statement of change in net assets attributable to shareholders for the year ended 31 May 2013

	2013		2012	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		316,444		338,054
Amounts receivable on issue of shares	17,802		145,212	
Amounts payable on cancellation of shares	(201,705)		(153,593)	
		(183,903)		(8,381)
Stamp duty reserve tax		(7)		(26)
Change in net assets attributable to shareholders from investment activities (see above)		27,542		(14,281)
Retained distribution on accumulation shares		—		1,078
Closing net assets attributable to shareholders		160,076		316,444

Balance sheet as at 31 May 2013

		2013		2012	
	Notes	£000	£000	£000	£000
Assets					
Investment assets			90,394		87,263
Debtors	8	903		616	
Cash and bank balances	9	80,756		255,074	
Total other assets			<u>81,659</u>		<u>255,690</u>
Total assets			172,053		342,953
Liabilities					
Investment liabilities			(3,729)		(8,886)
Creditors	10	(2,818)		(17,623)	
Cash and bank balances overdrawn	11	(5,430)		–	
Total other liabilities			<u>(8,248)</u>		<u>(17,623)</u>
Total liabilities			(11,977)		(26,509)
Net assets attributable to shareholders			<u>160,076</u>		<u>316,444</u>

1 Accounting policies

The accounting, distribution and risk management policies are set out in notes 1 to 3 of the aggregated financial statements on pages 10 to 14.

2 Net capital gains/(losses)

The net gains/(losses) on investments during the year comprise:

	2013	2012
	£000	£000
Derivative securities	32,175	(14,525)
Non-derivative securities	689	444
Other currency (losses)/gains	(19)	27
Transaction costs	(2)	(1)
Net capital gains/(losses)	32,843	(14,055)

3 Portfolio transaction costs

	2013	2012
	£000	£000
Purchases in year before transaction costs	418,421	954,676
Commissions	–	1
Total purchase transaction costs*	–	1
Purchases including transaction costs	418,421	954,677
Sales in year before transaction costs	418,093	933,764
Commissions	(4)	(7)
Total sale transaction costs*	(4)	(7)
Sales net of transaction costs	418,089	933,757
Transaction handling charges*	2	1

* These amounts have been deducted in determining net capital gains/(losses).

Notes to the financial statements (continued)

4 Revenue

	2013	2012
	£000	£000
Bank interest	27	48
Futures deposit interest	512	1,017
Interest on certificates of deposit	442	1,314
Income from contracts for difference	1,170	3,229
Overseas dividends	49	74
Management fee rebates	4	–
UK dividends	3	–
Total revenue	2,207	5,682

5 Expenses

	2013	2012
	£000	£000
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's periodic charge	2,440	4,279
Administration fee	–	55
General administration charge (see note 1g)*	238	387
Performance fee payable to ACD	4,803	7
	7,481	4,728
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	24	39
Safe custody fee	3	7
	27	46
Other expenses:		
Audit fee	–	1
	–	1
Total expenses	7,508	4,775

* The current year audit fee is £12,540 (2012: £12,540). The audit fee levied through the GAC charge is £12,540 (2012: £11,240).

Notes to the financial statements (continued)

6 Taxation

(a) Analysis of charge in year

There is no corporation tax for the current year (2012: nil).

(b) Factors affecting current tax charge for the year

The tax assessed for the year is different to the standard rate of Corporation tax in the UK for authorised open ended investment companies (OEICs) of 20%. The differences are explained below:

	2013	2012
	£000	£000
Net (expense)/revenue before taxation	(5,301)	906
Corporation tax at 20% (2012: 20%)	(1,060)	181
Effects of:		
Current year expenses not utilised	1,061	(181)
Revenue not subject to taxation	(1)	–
Current tax charge for year (Note 6a)	–	–

OEICs are exempt from tax on capital gains made in the UK. Therefore, any capital return is not included within the reconciliation above.

(c) Deferred tax

There is no provision required for deferred taxation at the Balance sheet date (2012: nil).

(d) Factors that may affect future tax charges

At the year end, after claiming relief against revenue taxable on receipt, there is a potential deferred tax asset of £2,451,000 (2012: £1,395,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

Notes to the financial statements (continued)

7 Finance costs

Distributions and interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2013	2012
	£000	£000
Final Accumulation Dividend Distribution	–	1,078
	–	1,078
Amounts deducted on cancellation of shares	1	99
Amounts received on issue of shares	(1)	(45)
Finance costs: Distributions	–	1,132
Finance costs: Interest	–	1
Total finance costs	–	1,133
Net (expense)/revenue after taxation	(5,301)	906
Performance fee borne by the capital account	4,803	7
Revenue deficit transferred to the capital account	498	219
Finance costs: Distributions	–	1,132

8 Debtors

	2013	2012
	£000	£000
Accrued revenue	77	79
Amounts receivable for issue of shares	325	63
Amount receivable from counterparty regarding CFD contracts	501	474
Total debtors	903	616

9 Cash and bank balances

	2013	2012
	£000	£000
Amounts held at derivative clearing houses and brokers	–	3,351
Cash and bank balances	12,719	55,250
Term Deposits	68,037	196,473
Total cash and bank balances	80,756	255,074

Notes to the financial statements (continued)

10 Creditors

	2013	2012
	£000	£000
Accrued ACD periodic charge	159	317
Accrued expenses	2,225	41
Amounts payable for cancellation of shares	395	1,902
Amount payable to counterparty regarding CFD contracts	39	1,305
Purchases awaiting settlement	–	14,058
Total creditors	2,818	17,623

11 Cash and bank balances overdrawn

	2013	2012
	£000	£000
Amounts held at broker	5,155	–
Bank overdraft	275	–
	5,430	–

Notes to the financial statements (continued)

12 Financial derivatives

The Fund has used financial derivatives for hedging and meeting the investment objectives including risk reduction and implementation of investment policies.

The use of derivatives can create additional counterparty risks. Details of the Manager's policies for managing counterparty and other risks are set out in note 3 to the financial statements.

The types of derivatives held at the year-end were contracts for difference and futures. Details of individual contracts are shown in the portfolio statement on page 186 to 195, and the total position by counterparty at the year-end is summarised below:

At 31 May 2013 the underlying exposure for each category of derivatives were as follows:

Counterparty	Net contracts for difference £000	Net futures £000	Total £000
UBS	67,229	(7,231)	59,998
	67,229	(7,231)	59,998

At 31 May 2012 the underlying exposure for each category of derivatives were as follows:

Counterparty	Net contracts for difference £000	Net futures £000	Total £000
UBS	67,323	–	67,323
	67,323	–	67,323

Eligible collateral types are approved by the Investment Manager and may consist of cash, UK gilts, certificates of deposit, treasury bills, sovereign debts, eurosterling bonds and equities.

At 31 May 2013 no collateral was either held by the Fund or had been paid out to counterparties in respect of the above (2012: £nil).

13 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current year end (2012: nil).

Notes to the financial statements (continued)

14 Related party transactions

The Financial Reporting Standard number 8 ("FRS 8") on 'Related Party Disclosures' requires the disclosure of details of material transactions between the Fund and any related parties. Under the FRS 8 the ACD is deemed to be a related party. All transactions and balances associated with the ACD are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 196 and 197 and notes 5, 8 and 10 on pages 199 to 202 including all creations and cancellations where the ACD acted as principal.

Fundsettle EoC Nominees Limited, as a material shareholder, is a related party with a 17.06% shareholding (2012: 17.86%).

Rathbone Nominees Limited, as a material shareholder, is a related party with a 11.82% shareholding (2012: 5.51%).

Clearstream Banking SA, as a material shareholder, is a related party with a 10.50% shareholding (2012: 5.92%).

Material transactions throughout the year such as creations and cancellations for these shareholders are included in the Statement of change in net assets attributable to shareholders.

15 Shareholder funds

The Fund currently has 2 share classes, Class A (Retail with front-end charges) and Class I (Institutional). The ACD's periodic charge on each share class is as follows:

Class A	1.50%
Class I	1.00%

The net asset value of each share class, the net asset value per share and the number of shares in each share class are given in the comparative table on page 183. The distribution per share class is given in the distribution tables on page 204. All share classes have the same rights on winding up.

16 Risk disclosures

Risk policies in respect of financial assets and liabilities are set out in note 3 of the aggregated financial statements on pages 13 and 14.

Currency risk

The Fund's exposure to currency risk is considered insignificant. This is consistent with the exposure during the prior year.

Sensitivity analysis

The ACD assesses the market risk of the Funds' investments including any derivative exposures, using a Value at Risk (VaR) methodology. This process provides the ACD with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. If the number is lower than that of its representative benchmark it should be less volatile than the benchmark or more volatile if higher than the benchmark.

The ACD uses the Risk Manager application from Risk Metrics. The VaR is calculated daily on a 99% confidence level using a one month forward looking time horizon. The model uses 2 years of weekly data which is equally weighted. The UK Absolute Return Fund is measured against the benchmark FTSE All Share Index for comparison purposes. As at the accounting date of this report the Fund's Monthly VaR is 4.60% (2012: 1.85%) compared to the FTSE All Share Index which is 10.51% (2012: 10.07%). The Fund's annual VaR is 12.23% (2012: 5.66%) compared to the FTSE All Share Index which is 36.08% (2012: 34.70%). It should be noted that the VaR is only an indication of risk and the actual price movements may prove to be less or more volatile than predicted.

The Fund may open positions on Over-the-Counter (OTC) derivatives, which will typically be futures, options, contracts for difference and swaps. Of these, the Fund predominantly uses Futures and contracts for difference. Futures allow the Investment Manager to purchase an asset (or to sell an asset) at a predetermined future date and price, enabling them to manage the risk to the Fund.

The ACD monitors the Fund's portfolio against the Fund's investment restrictions and risk management policy on a daily basis.

Distribution table for the year ended 31 May 2013 (in pence per share)

There is no distribution for the six months ended 30 November 2012.

There is no distribution for the year ended 31 May 2013, therefore no distribution statement has been provided and shareholders will not receive tax vouchers.

Further information

Shareholder enquiries

If you have any queries about your Fund holding, either contact your professional adviser or telephone us on one of the numbers below:

For dealing enquiries including buying and selling shares please telephone at local rate: **0845 608 8703**

The following line is also available:

Client Services: **0800 832 832**

or you can contact us via e-mail at **support@henderson.com**

We may record telephone calls for our mutual protection and to improve customer service.



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), 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 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.