Henderson
GLOBAL INVESTORS

ANNUAL SHORT REPORT

For the year ended
31 October 2015

Henderson Credit Alpha Fund

Henderson Credit Alpha Fund

Short Report

For the year ended 31 October 2015

Investment Fund Managers

Stephen Thariyan, Thomas Ross & Chris Bullock

Investment objective and policy

The fund aims to generate positive returns.

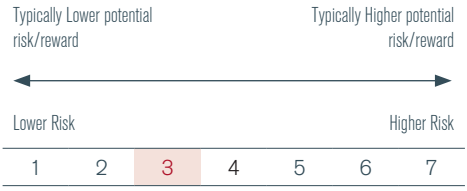
The fund aims to typically deliver absolute (more than zero) returns over a rolling 12 month period. An absolute return performance is not guaranteed over this specific, or any other, time period and consequently capital is in fact at risk.

The fund will seek to achieve its investment objective by taking directional, relative value, structural and tactical positions in corporate bonds, asset backed securities, preference shares, equities, secured loans, credit default swaps, as well as other permitted derivative instruments.

The fund may also invest the property in transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

Risk and reward profile

The fund currently has 15 types of share class in issue, they are all accumulation share classes; A , A Euro hedged, A USD hedged, I, I gross, Y, Y gross, Y Euro hedged, Y USD hedged, Z, Z gross, G, G gross, G Euro hedged and G USD hedged. Each type of share class has the same risk and reward profile which is as follows:



The Synthetic Risk and Reward Indicator (SRRI) is calculated based on historical volatility over a rolling 5 year period, it is reviewed monthly and updated if volatility has changed materially to cause a movement in the SRRI level. The SRRI is an indicator and may not accurately reflect future volatility and market conditions.

The value of an investment in the fund can go up or down. When you sell your shares, they may be worth less than you paid for them. The risk/reward rating above is based on medium-term volatility. In the future, the fund's actual volatility could be higher or lower and its rated risk/reward level could change.

The lowest category does not mean risk free.

The fund's risk level reflects the following:

- As a category, bonds are less volatile than shares
- The fund invests in a broad range of securities and countries and uses a broad range of strategies.
- Fluctuations in exchange rates may cause the value of your investment to rise or fall

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events under normal market conditions the following risks apply:

Counterparty risk The fund could lose money if a counterparty with which it transacts becomes unwilling or unable to meet its obligations to the fund.

Currency risk The fund uses derivatives in order to reduce the risks otherwise associated with marking investments in currencies other than the fund's accounting currency.

Default risk The issuers of certain bonds could become unable to make payments of their bonds. The risk of default may be higher where the fund invests in sub-investment grade bonds.

Derivatives risk Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative instrument.

Liquidity risk Certain securities could become hard to value or sell at a desired time and price.

Management risk Investment management techniques that have worked well in normal market conditions could prove ineffective or detrimental at other times.

There has been no changes in the risk rating in the year.

The full list of the fund's risks are contained in the "Risk Warnings" section of the fund's prospectus.

Investment review

On a gross of fees basis, the fund returned 1.3% over the last year, overperforming the cash benchmark by 0.7%.

The year started well, with strong performance driven primarily by our overweight exposure to lower rated and higher yielding securities and positioning in the sterling credit market.

As we moved through the year, we decreased overall corporate bond exposure, first in investment grade and subsequently in high yield. Despite this, the second half of the year saw performance wane due to a combination of global growth concerns, high levels of issuance (particularly in the US) and idiosyncratic (issuer specific) risks. The weakness in the commodities market and, by extension, emerging markets more broadly was also a drag for sectors exposed to these areas.

In tactical strategies, positive contributions came from higher yielding positions including real estate related bonds from issuers Grand City Properties and building services firm Keepmoat. However, these were partially offset by weakness from our holdings in longer dated instruments including 100-year bonds from Mexico and utility GDF, which did not keep pace with long-dated government bonds. The weakness in commodities and emerging markets was negative for our holdings in commodity trading company Trafigura. A long position in Spanish construction company Isolux also detracted, with the sale of the issuers' Brazilian assets thrown into doubt as a corruption scandal engulfed the country.

In the pair trades strategy, a long position in Italian construction firm Astaldi outperformed versus a short to Spanish competitor Abengoa, as concerns grew over Abengoa's accounting practices. A long position in cinema chain Odeon versus a short to competitor Vue also performed well, on expectations that the issuer will be sold, with currently outstanding bonds likely to be refinanced.

In the thematic strategy, declining oil prices proved negative for our holding in oil rig servicing company Tervita, which we subsequently closed in December 2014. A position in hybrid bonds from Australian oil and gas producer Santos also declined; however, we maintain the position given the issuer's low cost of production and expectations that the bonds will be called at par next year. The media sector was also weak, with holdings in Time Warner Cable faltering after regulators rejected a proposed merger with Comcast, paving the way for lower rated competitor Charter to acquire the company.

Positive contributions came from Russian logistics company FESCO, which retraced previous losses following strong corporate results and a broader improvement for Russian assets. We subsequently closed the position through participation in a debt tender. A short position in French engineering group Novafives also performed well, given the issuer's exposure to the weakness in emerging markets and commodities, as well as poor second quarter results.

At the macro level, we are concerned over investor complacency regarding the likelihood and implications of a rate hike from the US Federal Reserve in December. Meanwhile, in Europe, we think that despite promising to do 'whatever it takes', European Central Bank (ECB) president Mario Draghi could disappoint markets, especially given the constraints the ECB now faces in terms of assets available for purchase.

Looking within fixed income markets, we currently see better opportunities in European high yield versus investment grade and US high yield, given lower levels of issuance, more supportive investor flows and Europe's less mature credit cycle.

Performance summary

	31 Oct 14-31 Oct 15 %	31 Oct 13-31 Oct 14 %	31 Oct 12-31 Oct 13 %	31 Oct 11-31 Oct 12 %	31 Oct 10-31 Oct 11 %
Henderson Credit Alpha Fund	0.7	0.8	4.8	5.6	(0.5)
3M Libor	0.6	0.5	0.5	1.1	0.8

Source: Henderson Global Investors & Morningstar.
* Fund returns calculated using midday prices on a bid to bid, net of fees basis in GBP, based on performance of class I gross accumulation.

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Summary of fund performance

Share class	Net asset value* 2015 p	Net asset value* 2014 p	Net asset value % change
Class A accumulation	55.27	55.62	(0.63)
Class G accumulation	50.43	50.38	0.10
Class I accumulation	151.47	151.54	(0.05)
Class Y accumulation	112.88	113.17	(0.26)
Class Z accumulation	112.05	111.18	0.78
Class G gross accumulation	50.60	50.44	0.32
Class I gross accumulation	154.62	154.21	0.27
Class Y gross accumulation	109.22	109.25	(0.03)
Class Z gross accumulation	168.49	166.34	1.29
Class A Euro (hedged) accumulation	379.15	419.70	(9.66)
Class G Euro (hedged) accumulation	358.60	393.80	(8.94)
Class Y Euro (hedged) accumulation	777.22	856.18	(9.22)
Class A USD (hedged) accumulation	345.50	336.00	2.83
Class G USD (hedged) accumulation	325.60	314.40	3.56
Class Y USD (hedged) accumulation	690.92	668.68	3.33

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

Net revenue distribution

Share class	2015 p	2014 p
Class A accumulation	0.31	0.12
Class G accumulation	0.60	0.46
Class I accumulation	1.74	1.46
Class Y accumulation	1.07	0.74
Class Z accumulation	2.22	1.95
Class G gross accumulation	0.75	0.56
Class I gross accumulation	2.29	1.81
Class Y gross accumulation	1.30	0.90
Class Z gross accumulation	4.21	3.64
	2015 Euro cents	**2014 Euro cents**
Class A Euro (hedged) accumulation	4.39	1.55
Class G Euro (hedged) accumulation	8.23	4.45
Class Y Euro (hedged) accumulation	14.44	8.93
	2015 USD cents	**2014 USD cents**
Class A USD (hedged) accumulation	4.25	1.61
Class G USD (hedged) accumulation	7.95	4.65
Class Y USD (hedged) accumulation	13.76	8.85

Total interest distributions for the year ended 31 October 2015, comparison is for the same period last year.

Fund facts

Accounting dates	Payment dates
30 April, 31 October	30 June, 31 December

Ongoing charge figure

	OCF* 2015	Performance fees 2015	OCF* 2014	Performance fees 2014
	%	%	%	%
Class A	1.66	0.15	1.65	0.33
Class G	0.74	0.30	0.73	0.01
Class I	1.06	n/a	1.06	n/a
Class Y	1.06	0.28	1.06	0.33
Class Z	0.04	n/a	0.04	n/a
Class G gross	0.74	0.51	0.73	0.05
Class Y gross	1.06	0.28	1.06	0.33
Class A Euro (hedged)	1.66	0.03	1.65	0.28
Class G Euro (hedged)	0.74	0.22	0.73	0.62
Class Y Euro (hedged)	1.06	0.15	1.06	0.36
Class A USD (hedged)	1.66	0.08	1.65	0.28
Class G USD (hedged)	0.74	0.25	0.73	0.61
Class Y USD (hedged)	1.06	0.21	1.06	0.32

The annualised ongoing charge figure (OCF) of the fund, is the ratio of the total ongoing charges to the average net asset value for twelve months.

The OCF is calculated in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

* OCF excludes performance fees

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A accumulation			
2010[1]	0.24	52.05	49.96
2011	0.36	53.20	51.01
2012	0.12	54.36	51.13
2013	0.07	55.91	54.40
2014	0.12	56.48	55.25
2015	0.31*	56.94+	54.95+
Class G accumulation			
2013[6]	-	50.32	49.98
2014	0.46	50.99	50.03
2015	0.60*	51.78+	50.13+
Class I accumulation			
2010	1.91	137.60	125.50
2011	2.08	141.00	135.60
2012	1.32	145.90	136.00
2013	1.77	151.50	146.00
2014	1.46	153.60	150.50
2015	1.74*	155.80+	150.60+
Class Y accumulation			
2010[1]	0.34	104.10	99.77
2011	1.18	106.70	102.60
2012	0.65	109.70	102.80
2013	0.60	113.30	109.80
2014	0.74	114.70	112.40
2015	1.07*	116.00+	112.20+
Class Z accumulation			
2011[4]	1.20	100.60	97.02
2012	1.78	105.46	97.46
2013	2.15	109.41	105.60
2014	1.95	112.40	110.40
2015	2.22*	114.80+	111.10+
Class G gross accumulation			
2013[6]	-	50.33	49.99
2014	0.56	51.00	50.10
2015	0.75*	51.88+	50.25+

Performance record (continued)

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class I gross accumulation			
2010	2.47	138.50	125.40
2011	2.62	142.20	136.90
2012	1.66	147.80	137.40
2013	2.24	153.90	147.90
2014	1.81	156.20	153.20
2015	2.29*	158.90+	153.60+
Class Y gross accumulation			
2011[3]	1.43	102.50	98.71
2012	0.67	105.70	99.01
2013	0.61	109.30	105.70
2014	0.90	110.60	108.50
2015	1.30*	112.10+	108.50+
Class Z gross accumulation			
2010	3.93	143.40	128.70
2011	4.22	148.10	142.50
2012	3.28	156.52	143.97
2013	3.98	164.70	156.50
2014	3.64	168.20	164.60
2015	4.21*	172.30+	166.40+

	Net revenue (Euro cents per share)	Highest price (Euro cents per share)	Lowest price (Euro cents per share)
Class A Euro (hedged) accumulation			
2010[2]	2.58	507.93	486.69
2011	4.15	517.64	497.44
2012	1.38	527.15	498.10
2013	0.90	540.14	527.46
2014	1.55	545.18	532.68
2015	4.39*	548.09+	527.33+
Class G Euro (hedged) accumulation			
2013[6]	-	503.12	499.77
2014	4.45	509.51	499.70
2015	8.23*	515.82+	498.26+

Performance record (continued)

	Net revenue (Euro cents per share)	Highest price (Euro cents per share)	Lowest price (Euro cents per share)
Class Y Euro (hedged) accumulation			
2010[1]	8.60	1,015.97	971.08
2011	14.61	1,037.40	1,000.15
2012	7.31	1,065.36	1,002.09
2013	7.12	1,097.07	1,066.03
2014	8.93	1,109.06	1,086.37
2015	14.44*	1,120.04+	1,080.24+

	Net revenue (USD cents per share)	Highest price (USD cents per share)	Lowest price (USD cents per share)
Class A USD (hedged) accumulation			
2010[2]	2.58	509.30	487.46
2011	4.14	518.29	495.92
2012	1.69	527.63	497.02
2013	0.90	541.47	527.96
2014	1.61	546.47	534.22
2015	4.25*	550.25+	530.53+
Class G USD (hedged) accumulation			
2013[6]	-	503.09	499.79
2014	4.65	509.15	499.64
2015	7.95*	516.19+	499.64+
Class Y USD (hedged) accumulation			
2012[5]	-	1,042.00	1,002.00
2013	5.44	1,072.88	1,040.70
2014	8.85	1,084.61	1,062.91
2015	13.76*	1,097.19+	1,060.38+

[1] classes Y accumulation and A accumulation were launched 1 March 2010
[2] classes A Euro (hedged) accumulation, A USD (hedged) accumulation and Y Euro (hedged) accumulation were launched on 16 April 2010
[3] class Y gross accumulation was launched 10 November 2010
[4] class Z accumulation was launched 15 April 2011
[5] class Y USD (hedged) accumulation was launched 12 June 2012
[6] classes G (accumulation, gross accumulation, Euro (hedged) accumulation and USD (hedged) accumulation) were launched 5 November 2013

Past performance is not a guide to future performance.

Major holdings

as at 2015	%
Deutsche Global Liquidity Managed Platinum Sterling Fund	6.37
Henderson Institutional Cash Fund Class I Gross Accumulation*	2.40
Frontier Communications 11% 15/09/2025	2.25
NN 4.5% Perpetual	1.85
Atrium European Real Estate 3.625% 17/10/2022	1.77
PGH Capital 5.75% 07/07/2021	1.76
United Mexican States 5.625% 19/03/2114	1.75
Agrokor 9.5% 04/06/2018	1.64
Inmobiliaria Colonial 2.728% 05/06/2023	1.46
Meccanica Holdings 6.25% 15/01/2040	1.46

* A related party to the fund

Major holdings

as at 2014	%
Deutsche Global Liquidity Managed Platinum Sterling Fund	6.42
Leighton Finance USA 5.95% 13/11/2022	2.37
Bank of Montreal 0.5% 05/01/2015	2.07
Citibank 0.55% 17/11/2014	2.07
Commerzbank 0.58% 19/11/2014	2.07
Nordea Bank 0.56% 02/02/2015	2.07
United Mexican States 5.625% 19/03/2014	2.02
Bank of Nova Scotia 0.5% 20/11/2014	1.97
Henderson Institutional Cash Fund Class I Gross Accumulation*	1.86
Odeon & UCI Finco 9% 01/08/2018	1.76

Asset allocation

as at 2015	%
Bonds	56.78
Certificates of deposit	23.16
Collective Investment Schemes	8.77
Equities	0.23
Derivatives	(3.62)
Other net assets	14.68
Total net assets	**100.00**

Asset allocation

as at 2014	%
Bonds	63.42
Certificates of deposit	20.19
Collective Investment Schemes	8.28
Equities	1.98
Derivatives	(0.61)
Other net assets	6.74
Total net assets	**100.00**

Report and accounts

This document is a short report of the Henderson Credit Alpha Fund for the year ended 31 October 2015.

Copies of the annual and half yearly long form report and financial statements of this fund are available on our website www.henderson.com or contact client services on the telephone number provided.

Other information

The information in this report is designed to enable you to make an informed judgement on the activities of the fund during the year it covers and the results of those activities at the end of the year.

Risk warning

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Issued by:
Henderson Investment Funds Limited
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by the Financial Conduct Authority.
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Changes of address - regulatory requirements
FCA regulation requires us to send this report mailing to the address held on file on the accounting date of 31 October 2015. If you have confirmed a change of address with us since that date we will ensure all future correspondence will be sent to your new address.

Online valuations
You can value your Henderson Credit Alpha Fund at any time by logging on to www.henderson.com. Select 'Personal Investor' and then access 'Valuations' from the Tools Menu. Simply select the fund you hold and enter the appropriate number of shares.

Any questions?
Further information about the activities and performance of the fund for this and previous periods can be obtained from the Investment Manager. If you have any questions please call our Client Services Team on 0800 832 832 or email support@henderson.com.

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

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