Henderson
GLOBAL INVESTORS

ANNUAL SHORT REPORT

For the year ended
15 April 2014

Henderson Sterling Bond Unit Trust

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Short Report

For the year ended 15 April 2014

Fund Managers

Stephen Thariyan & Philip Payne

Other information

With effect from 20 January 2014, PricewaterhouseCoopers LLP replaced KPMG Audit Plc as the Auditors of the Fund.

Investment objective and policy

To achieve a high and stable income. The Fund will invest principally in sterling denominated fixed interest securities including preference shares. The Fund may also invest in securities acquired on the conversion of convertible securities held within the portfolio, derivatives and forward transactions, warrants originally acquired with fixed interest investments, or under a scheme of reconstruction affecting securities in the Fund, money market instruments and deposits. The Fund concentrates on investment grade corporate bonds. Derivatives may be used for meeting the investment objective of the Fund and for efficient portfolio management.

Risk and reward profile

The Fund currently has 4 unit classes; Income units, Accumulation units, Class I income and Class I accumulation. The risk and reward profile of each unit class is as follows:

Typically Lower potential risk/reward — Typically Higher potential risk/reward

Lower Risk — Higher Risk

1	2	3	4	5	6	7

The value of an investment in the Fund can go up and down. When you sell your units, 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
- Fluctuations in exchange rates may cause the value of your investment to rise or fall

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events which could amplify everyday risk and trigger other risks such as:

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

Default risk The issuers of certain bonds could become unable to make payments on their bonds.

Derivatives risk Certain derivatives could behave unexpectedly or could expose the Fund to losses that are significantly greater than the cost of the derivative.

Focus risk The Fund's value may fall where it has concentrated exposure to an issuer or type of security that is heavily affected by an adverse event.

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

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

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

Fund Managers' commentary

Corporate bond markets have performed well with credit spreads declining, and ending the period marginally above pre-crisis levels. This helped to partially offset the rise in government bond yields in 2013. Economic strength in the UK, led by a buoyant housing market, saw gilt yields rise from 1.7% in April 2013 to over 3% at year end. US Treasuries similarly moved from 1.7% in May 2013 to 3% in September as investors became concerned that the US Federal Reserve may begin to reduce (taper) their asset purchases. When tapering did commence in December, the market reaction was remarkably muted, remaining technically strong; a theme which has continued through into 2014 with the Crimean crisis. The year has seen the higher beta sectors of the market outperform, with subordinated financials leading the way. Financials outperformed non-financials, with subordinated bonds seeing the strongest returns and covered bonds and healthcare underperforming the broader market. Lower rated bonds performed better than higher rated bonds, benefiting from a lower sensitivity to rising government bond yields. The credit markets have continued to strengthen in 2014, predominately led by declining government bond yields on both sides of the Atlantic. At an index level credit spreads are slightly wider during the first part of 2014, with non-financial sectors underperforming and financials continuing to see spreads decline. Corporate bond issuance has been lower compared to last year on a gross basis but much higher on a net basis, with the majority of issuance having a maturity greater than ten years, including the first 100-year bond issued by French utility EDF.

Appetite for subordinated financial bonds remained very strong, which benefited our exposure to this area over the period. New positions were established in Scottish Widows and Prudential. These positions along with holdings in Aviva, Standard Life and Friends Life have performed well. The Fund's exposure to Old Mutual was sold on worries regarding emerging markets, which experienced high volatility just before the summer due to concerns regarding the US Federal Reserve reducing asset purchases. Holdings in Lloyds Bank and Nationwide Building Society benefited from the improving UK economy. The latter also benefited from the successful launch of their new core capital deferred shares (CCDS securities). Exposure to RSA Insurance was increased after a period of underperformance at the end of 2013, which performed well following the appointment of Stephen Hester as chief executive officer (CEO) and the announcement of a rights issue.

High yield and lower rated investment grade corporates outperformed the broader market over the period. Positions in GKN (auto and aerospace components), Daily Mail & General (media), William Hill (gaming), First Group and The Co-operative Group all performed well; the latter benefiting from the completion of the first part of the bank rescue plan. A new position was added in PostNL, which performed well following their sale of a 15% stake in TNT express, where the proceeds were used for debt reduction, whilst new positions have also been established in Verizon, Time Warner Cable, Arqiva and the AA (roadside assistance). Exposure to property related issuers has also been increased through participating in new deals from Health Care REIT, Intu (Metrocentre) and Global Switch.

On a sector basis the biggest contributor to performance has been financials, whilst exposure to long maturity sectors such as healthcare, telecoms and utilities has been a drag on performance due to their higher sensitivity to rising government bond yields. The utility sector has seen some of the weakest performance due to increased regulatory pressures and uncertainty following the budget, which has dampened demand for longer maturity bonds. This has impacted holdings in Centrica, PPL, Northumbrian Water and Southern Water. That said, aside from Scottish Widows, the strongest contribution to return in the Fund has come through holding French utility EDF. The Fund added to an existing position by participating in both the new 100-year deal and their subordinated bond issue.

The ability of credit markets to continue to navigate an increase in geopolitical risk without any major weakness highlights the resilience of the market where demand remains firm. A stronger growth outlook for the UK and expectation that the US will rebound from the weather related weakness at the start of 2014 will likely see interest rates begin to rise again over the next six to twelve months. In the short term, however, the potential for further stimulus by the European Central Bank and Bank of Japan as well as the search for yield by the broader investor base should continue to support corporate bonds.

Performance summary

	15 Apr 13- 15 Apr 14 %	15 Apr 12- 15 Apr 13 %	15 Apr 11- 15 Apr 12 %	15 Apr 10- 15 Apr 11 %	15 Apr 09- 15 Apr 10 %
Henderson Sterling Bond Unit Trust	0.1	13.3	5.7	6.5	69.4
IMA £ Corporate Bond average	1.1	12.5	5.7	5.4	28.8

Source: Morningstar, bid to bid, net revenue reinvested, net of fees, GBP, based on an annualised return.

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

Unit class	Net asset value* 2014 p	Net asset value* 2013 p	Net asset value % change
Income units	59.35	60.72	(2.26)
Accumulation units	183.72	183.17	0.30
Class I income	102.38	104.31	(1.85)
Class I accumulation	107.27	105.87	1.32

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

Fund facts

Accounting dates	Payment date
15 October, 15 April	15 September, 15 December, 15 March, 15 June

Ongoing charge figure

	2014 %	2013 %
Income units	1.42*	1.45
Accumulation units	1.42*	1.45
Class I	0.70**	0.72

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

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

From 10 August 2013, the General Administration charge (GAC) decreased from:

* 0.18% to 0.14%

** 0.10% to 0.075%

Performance record

Calendar year	Net revenue (pence per unit)	Highest price (pence per unit)	Lowest price (pence per unit)
Income units			
2009	2.47	52.17	31.90
2010	2.16	54.51	48.42
2011	1.83	54.88	51.98
2012	1.59	60.03	53.97
2013	1.54	61.68	57.10
2014	0.79+	59.75+	58.26+
Accumulation units			
2009	6.41	140.97	82.53
2010	5.93	152.79	130.83
2011	5.22	159.87	147.33
2012	4.70	179.89	157.77
2013	4.66	187.21	173.52
2014	2.45+	184.95+	179.17+
Class I income			
2012*	0.70	103.78	98.61
2013	3.25	106.26	98.35
2014	1.63+	103.08+	100.50+
Class I accumulation			
2012*	0.70	104.49	98.61
2013	3.32	108.68	100.85
2014	1.70+	108.00+	104.45+

+ to 15 April
* Unit class launched 1 August 2012.

Net revenue distribution

Unit class	2014 p	2013 p
Income units	1.56	1.57
Accumulation units	4.78	4.69
Class I income	3.25	2.33
Class I accumulation	3.36	2.35

Total interest distributions for the year ended 15 April 2014, comparison is for the same period last year.

Past performance is not a guide to future performance.

Major holdings

as at 2014	%
HSBC 6.375% 18/10/2022	1.23
Wal-Mart Stores 4.875% 19/01/2039	1.23
EDF Energy Networks 5.5% 17/10/2041	1.20
Western Power West 5.75% 16/04/2032	1.12
AT&T 5.875% 28/04/2017	1.04
Barclays Bank 10% 21/05/2021	1.02
Verizon Communications 4.75% 17/02/2034	0.99
Royal & Sun Alliance Insurance 9.375% 20/05/2039	0.94
Imperial Tobacco 5.5% 22/11/2016	0.93
General Electric Capital 5.875% 18/01/2033	0.91

Major holdings

as at 2013	%
Nationwide Building Society 5.625% 28/01/2026	1.45
EDF Energy Networks 5.5% 17/10/2041	1.41
Wal-Mart Stores 4.875% 19/01/2039	1.39
HSBC 6.375% 18/10/2022	1.33
Barclays Bank 10% 21/05/2021	1.29
AT&T 5.875% 28/04/2017	1.17
Western Power West 5.75% 16/04/2032	1.13
Johnson & Johnson 5.5% 06/11/2024	1.05
Imperial Tobacco 5.5% 22/11/2016	1.03
General Electric Capital 5.875% 18/01/2033	1.00

Asset allocation

as at 2014	%
Fixed corporate bonds	93.12
Government bonds	1.10
Floating rate notes	0.41
Profit participating deferred shares	0.07
Net other assets	5.30
Total	**100.00**

Asset allocation

as at 2013	%
Fixed corporate bonds	95.59
Government bonds	0.66
Floating rate notes	0.47
Profit participating deferred shares	0.09
Net other assets	3.19
Total	**100.00**

Report and accounts

This document is a short report of the Henderson Sterling Bond Unit Trust for the year ended 15 April 2014.

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

Other information

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

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.

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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 15 April 2014. 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 Sterling Bond Unit Trust 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.

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