

Henderson Institutional

Cash

Fund

Short Report

For the year ended 31 May 2013

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Fund Manager

Angus Teatherton

Investment objective and policy

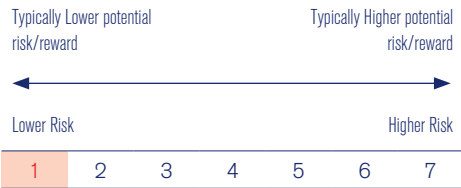
The investment objective of Henderson Institutional Cash Fund is to aim to provide a level of income in line with money market rates, commensurate with security of capital, through investment primarily in short term deposits, money market instruments and, at the Manager's discretion, fixed interest securities.

Other information

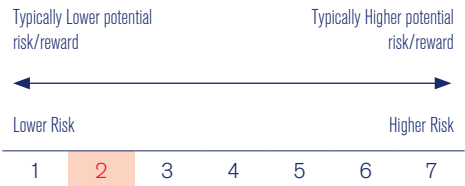
Effective from 24 September 2012, Henderson Cash Fund changed its name to Henderson Institutional Cash Fund.

Risk and reward profile

The Fund currently has 8 types of unit class in issue: Retail class accumulation, Corporate class accumulation, Intermediate class accumulation, Retail class gross accumulation, Corporate class gross accumulation, Intermediate class gross accumulation, Institutional class gross accumulation and Financial class gross accumulation. Each type of unit class (except for Financial class gross accumulation and Institutional class gross accumulation) has the same risk and reward profile which is as follows:



Financial class gross accumulation and Institutional class gross accumulation have a risk and reward profile which is as follows:



The value of an investment in the Fund can go up or 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, bank deposits and money market instruments are less volatile than shares

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.

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 are contained in the "Risk Warnings" section of the Fund's Prospectus.

Manager's commentary

Highlights

- UK bank rate remained unchanged at 0.50% throughout the period
- UK economic outlook remains 'patchy', whilst inflation remains stubbornly above target
- European Central Bank (ECB) cuts rates twice, with the deposit facility rate, the rate the ECB pays commercial banks for overnight deposits, falling to zero
- Chancellor George Osborne surprisingly appointed the current governor of the Bank of Canada, Mark Carney as the new head of the Bank of England (BoE)
- Fund name changed on 24 September 2012 from Henderson Cash Fund to Henderson Institutional Cash Fund

Market review

Faced with a weakening economic picture at the beginning of the review period, the British chancellor and BoE governor launched two new policy initiatives. The first was the Funding for Lending Scheme (FLS), which would provide funding to the non-financial sector at sub-market rates, whilst the second was the relaunch of the Extended Collateral Term Repo (ECTR) facility, which would allow banks to access liquidity at a rate below current market rates. This was followed by the BoE's Monetary Policy Committee (MPC) voting to increase the asset purchase scheme (quantitative easing, QE) by £50bn to £375bn.

As the review period progressed and the UK economy stuttered along, the BoE in their quarterly Inflation Reports continually cut their forecast for near-term gross domestic product (GDP) growth,

whilst having to admit that inflation was higher and more persistent than previously expected. This depressing view was reinforced when George Osborne presenting both the December autumn statement and the annual budget in March, announced a marked deterioration in the public finances, citing weaker-than-forecast economic growth as the main culprit. To compound matters the credit rating agency Fitch cut the UK government credit rating from AAA to AA+.

European markets continued to hold global attention; initially the focus was on Spain after a number of domestic banks and several regional governments had to be bailed out. The markets only began to calm down after a speech by the ECB president, where he said the ECB will do "whatever it takes within its mandate" to preserve the euro. Two months later, the ECB launched a new policy tool, the 'Outright Monetary Transactions' (OMT), which essentially will buy up to 3-year government bonds in unlimited amounts in the secondary market. Towards the end of the review period Cyprus caused some consternation, not because they needed bailing out, but by the way the bailout was managed. The initial package, which included a one-off tax on all Cypriot depositors (including guaranteed deposits) was rejected by the Cypriot parliament who instead decided to restructure the banking system, introduce a haircut on all deposits over €100,000 and apply strict capital controls. To compound matters, the Dutch finance minister and chairman of the Eurogroup indicated that the model used to recapitalise the Cypriot banks could be replicated elsewhere; the European Central Bank (ECB) expressed disagreement with this statement, stating that Cyprus was a unique case.

Fund activity

After the announcement of the new BoE policy initiatives, sterling LIBOR rates began to fall significantly across the yield curve; liquidity also improved in the markets following the ECB rate cuts and the ECB president's comments. The Fund took this opportunity to significantly increase its weighted asset maturity (WAM) profile; this was achieved by adopting a more aggressive investment strategy and buying a number of fixed rate assets with a maturity of up to one year. The Fund has significantly reduced its exposure to Santander UK, after they amended the terms of the call account and lowered the interest rate that they were willing to pay.

Outlook

The arrival of Mark Carney as the new Bank of England governor has prompted a great deal of debate about whether the BoE will embark on further monetary easing. Mr Carney's view is that monetary policy is not "maxed out", and the support he expressed for Japan's new QE programme, implies that he is likely to push for the committee

to take fresh action to boost demand; currently the MPC is split 6-3 against increasing QE, with the current governor in minority. Unless the recovery falters, it may be difficult for him to convince the majority of the MPC members, especially as several of them have questioned the effectiveness for further QE.

Performance summary

	1 June 12 - 31 May 13 %	1 June 11 - 31 May 12 %	1 Jun 10- 31 May 11 %	1 June 09 - 31 May 10 %	1 June 08 - 31 May 09 %
Henderson Institutional Cash Fund	0.5	0.5	0.7	0.9	4.0
MStar Money Market Sector Average	0.3	0.1	0.3	1.4	0.4

Source: Morningstar, mid to mid, basic rate tax GBP.

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.

Fund facts

Accounting dates

30 November, 31 May

Payment dates

28th day of each month

Ongoing charge figure

	2013 %	2012 %
Retail class accumulation	0.37	0.37
Corporate class accumulation	0.24	0.24
Intermediate class accumulation	0.57	0.57
Retail class gross accumulation	0.37	0.37
Corporate class gross accumulation	0.24	0.24
Intermediate class gross accumulation	0.57	0.57
Institutional class gross accumulation	0.04	0.04
Financial class gross accumulation	0.19	0.19

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

Performance record

Calendar year	Net revenue (pence per unit)	Highest price (pence per unit)	Lowest price (pence per unit)
Retail class accumulation			
2008	6.80	157.15	150.49
2009	3.46	160.50	157.18
2010	0.91	161.39	160.48
2011	0.89	162.18	161.38
2012	0.97	163.29	162.19
2013	0.26*	163.43+	163.29+
Corporate class accumulation			
2009 **	1.72	102.00	100.22
2010	0.69	102.68	101.99
2011	0.69	103.31	102.68
2012	0.73	104.12	103.32
2013	0.22*	104.25+	104.12+
Intermediate class accumulation			
2009 ***	1.06	101.18	100.00
2010	0.42	101.57	101.14
2011	0.39	101.91	101.57
2012	0.45	102.43	101.91
2013	0.08*	102.46+	102.43+
Retail class gross accumulation			
2008 ****	1.57	102.02	100.00
2009	2.85	104.72	102.05
2010	0.73	105.44	104.72
2011	0.75	106.13	105.43
2012	0.80	107.01	106.13
2013	0.21*	107.13+	107.01+
Corporate class gross accumulation			
2009 *****	1.81	102.07	100.04
2010	0.85	102.88	102.01
2011	0.87	103.69	102.88
2012	0.92	104.69	103.70
2013	0.27*	104.87+	104.69+
Intermediate class gross accumulation			
2009 *****	1.32	101.46	100.01
2010	0.50	101.93	101.44
2011	0.51	102.38	101.92
2012	0.54	102.99	102.39
2013	0.10*	103.03+	102.99+
Institutional class gross accumulation			
2008	6.02	106.57	100.60
2009	3.28	109.67	106.57
2010	1.14	110.82	109.67
2011	1.16	111.92	110.82
2012	1.22	113.23	111.92
2013	0.41*	113.50+	113.23+
Financial class gross accumulation			
2008	8.79	156.45	147.88
2009	4.62	160.77	156.50
2010	1.42	162.24	160.76
2011	1.45	163.60	162.23
2012	1.54	165.26	163.06
2013	0.48*	165.57+	165.26+

* to 28 June

+ to 31 May

** launched 21 Jan 09

*** launched 12 Mar 09

**** launched 21 Aug 08

***** launched 16 Feb 09

***** launched 12 Mar 09

Past performance is not a guide to future performance.

Net revenue distribution

Unit class	2013 p	2012 p
Retail class accumulation	0.71	0.95
Corporate class accumulation	0.56	0.73
Intermediate class accumulation	0.28	0.45
Retail class gross accumulation	0.58	0.81
Corporate class gross accumulation	0.70	0.92
Intermediate class gross accumulation	0.32	0.56
Institutional class gross accumulation	0.99	1.23
Financial class gross accumulation	1.20	1.54

Total interest distributions for the year ended 31 May 2013, comparison is for the same period last year.

Major holdings

as at 2013	%
Standard Chartered Bank 0.9% 17/10/2012-17/10/2013	3.58
Svenska Handelsbanken FRN 20/01/2014	2.79
Commerzbank 0.54% 21/05/2013- 21/08/2013	2.75
Den Dankse Bank Aktieselskab 0.54% 29/04/2013-31/07/2013	2.75
United Overseas Bank 0.51% 30/04/2013-31/10/2013	2.75
JP Morgan Chase Bank 0.45% 15/05/2013-15/08/2013	2.75
HSBC Bank 0.45% 08/03/2013- 10/06/2013	2.75
ING Bank 1.64% 11/07/2012- 11/07/2013	2.61
Nationwide Building Society 0.56% 06/03/2013-06/09/2013	2.61
ING Bank 1.2% 05/10/2012- 07/10/2013	2.48

Major holdings

as at 2012	%
Standard Chartered Bank 1.32% 09/02/2012-09/08/2012	4.54
HSBC Bank FRN 10/09/2012	2.84
Riyad Bank 0.98% 17/07/2012	2.84
Standard Chartered Bank 1.66% 30/09/2011-28/09/2012	2.84
United Overseas Bank 1.28% 28/02/2012-28/08/2012	2.84
Deutsche Bank 0.8% 13/03/2012- 13/06/2012	2.83
JP Morgan Chase & Co FRN 27/06/2012	2.83
Rabobank Nederland FRN 12/10/2012	2.83
Royal Bank of Scotland FRCD 31/08/2011-31/08/2012*	2.83
Royal Bank of Scotland FRCD 17/08/2011-17/08/2012*	2.83

Asset allocation

as at 2013	%
Certificates of deposit	78.80
Floating rate notes	14.87
Sterling cash deposits	1.61
Net other assets^	4.72
Total	100.00

Asset allocation

as at 2012	%
Certificates of deposit	72.08
Floating rate notes	15.79
Sterling cash deposits	2.84
Net other assets^	9.29
Total	100.00

^Includes overnight cash deposits.

Summary of Fund performance

Unit class	Net asset value* 2013 p	Net asset value* 2012 p	Net asset value % change
Retail class accumulation	163.41	162.63	0.48
Corporate class accumulation	104.24	103.64	0.58
Intermediate class accumulation	102.44	102.12	0.31
Retail class gross accumulation	107.12	106.50	0.58
Corporate class gross accumulation	104.86	104.11	0.72
Intermediate class gross accumulation	103.02	102.65	0.36
Institutional class gross accumulation	113.50	112.47	0.92
Financial class gross accumulation	165.56	164.29	0.77

*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.

Report and accounts

This document is a short report of the Henderson Institutional Cash Fund for the year ended 31 May 2013.

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

Other information

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

Issued by:

Henderson Investment Funds Limited
Registered office:
201 Bishopsgate,
London EC2M 3AE
Member of the IMA and authorised and regulated
by the Financial Conduct Authority.
Registered in England No 2678531

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Risk warning

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

Auditor

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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 May 2013. 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 Institutional Cash 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

Issued in the UK by Henderson Global Investors. 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. Ref: 3AV.

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

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