Henderson
GLOBAL INVESTORS

ANNUAL SHORT REPORT

For the year ended
31 October 2013

Henderson Overseas Bond Fund

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Short Report

For the year ended 31 October 2013

Fund Managers

Kevin Adams and Joanna Murdock

Investment objective and policy

To aim to provide a return by investing in fixed and floating rate securities in any area of the world, except the United Kingdom. The Fund will invest primarily in bonds issued by Governments, public authorities and international organisations.

Other information

With effect from 1 April 2013, the Financial Services Authority (FSA) was replaced by the Financial Conduct Authority (FCA).

Risk and reward profile

The Fund currently has 6 types of shares in issue;

Class A Income, Class I Income, Class I accumulation, Class 3 gross accumulation, Class I gross accumulation and Class Z gross accumulation. Each type of share has the same risk and reward profile which 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 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
- 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.

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

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

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

Managers' commentary

The early part of the period was characterised by a reach for higher yields in bond markets. This was due to the ongoing stimulus from the US Federal Reserve (Fed) and a calmer European situation, which combined with an aggressive stimulus programme from the Bank of Japan boosted risk seeking behaviour amongst investors. The second part of the period saw considerable investor uncertainty as the Fed contemplated tapering their quantitative easing (QE) programme in the face of excessive risk taking in financial markets and a significant recovery in the US economy. This prompted a substantial increase in government bond yields (prices fell) and a great deal of volatility in riskier asset classes, with emerging market debt suffering in particular. Ultimately the Fed chose to maintain their current level of accommodation, feeling that the economy required continued support to sustain the recovery. This appeared prescient as the end of the period was dominated by political wrangling in the US, which resulted in a government shutdown and the prospect of a US government default.

The Fund underperformed its benchmark over the period principally due to our relative value strategies and our positioning for an increase in inflation expectations in the US and Canada.

During the period we were consistently positioned for Italian government debt to outperform Spanish government debt. We believe longer-term debt dynamics are better in Italy and the prevailing primary surplus gives them a big advantage over other peripheral European countries such as Spain. However, Italy experienced significant political uncertainty as elections produced an unstable coalition government whilst Spain's economic growth outlook improved. This resulted in the position underperforming. We expect political stability to return to Italy and that the Italian economy will improve, resulting in Italian debt outperforming both Spain and other European government bonds in the near future.

In the US, we successfully positioned for a steeper yield curve*, as central bank policy remained accommodative. However, as the period progressed, better economic data was met with an increased expectation that the Fed would taper and we reversed the position expecting the yield curve to flatten (on expectations of a rise in short term rates). This strategy was initially profitable, but the Fed's surprise decision not to taper resulted in significant underperformance for this strategy. While we have reduced the position, we expect the US economy to continue to recover robustly and that tapering is likely to occur sooner than the market currently expects.

Positioning for US government bond yields to rise relative to other developed economies such as Sweden and Australia proved profitable as the US economy continued to recover, whilst Europe and its closest trading partners struggled with low inflation and generally lower growth. Meanwhile, in Australia, lower commodity prices due to a weaker Chinese economy resulted in lower growth and subsequently lower yields, as the central bank cut interest rates. Continuing the theme of lower Chinese growth and the knock-on impact to Australia and other China-related economies, we positioned for Australian and Singaporean government bond yields to decline relative to the yields on German and French government debt. This strategy performed poorly on better-than-expected economic growth figures from China and falling inflation in Europe. This prompted speculation of a rate cut from the European Central Bank (ECB), in spite of better economic data for the region.

The Mexican government continues to implement economic reforms, which should lift potential growth, and the Mexican central bank has gained credibility in its ability to manage inflation — both of which should result in lower yields and a flatter yield curve. For these reasons, we believe long-dated Mexican government bonds should outperform their US equivalents.

Our positioning for higher yields in both the US and Europe on an outright basis outperformed but was offset by positions looking for higher inflation expectations in the US and Canada as inflation remained low across the developed world. The position has been maintained as we continue to expect inflation expectations to increase in these markets as the recovery in economic growth translates into an increase in wages.

In currency markets, we positioned for the Australian dollar to weaken relative to the Mexican peso and Canadian dollar, and latterly for the euro and Japanese yen to weaken relative to the US dollar. Collectively this proved profitable over the course of the year.

We expect developed economies to continue their gradual and uneven recovery over the coming months with the US and UK leading the way and Europe lagging significantly behind. We also anticipate that when the Fed start to taper their asset purchase programme we will see a gradual increase in government bond yields. In China, we continue to see a slower pace of economic growth as the economy rebalances away from investment led growth to one based on consumption, which we believe will likely have negative impacts in related economies such as Australia.

*A yield curve is a plot of interest rates from bonds of equal credit quality but different maturity, at any given point of time. A steepening yield curve can come about through rising short term rates or falling long term bond prices (higher yields).

Performance summary

	31 Oct 12- 31 Oct 13 %	31 Oct 11- 31 Oct 12 %	31 Oct 10- 31 Oct 11 %	31 Oct 09- 31 Oct 10 %	31 Oct 08- 31 Oct 09 %
Henderson Insititutional Overseas Bond Fund	(5.1)	0.4	1.2	10.9	11.9
JP Morgan Global Bond Traded ex UK Index	(3.4)	2.3	2.5	11.4	13.4

Source : Morningstar - mid to mid, net income reinvested, net of fees.
Figures in brackets are negative.
Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Summary of Fund performance

Share class	Net asset value* 2013 p	Net asset value* 2012 p	Net asset value % change
Class A income	164.34	174.06	(5.58)
Class I income	164.71	174.23	(5.46)
Class I accumulation	214.40	224.80	(4.63)
Class 3 gross accumulation	95.14	99.30	(4.19)
Class I gross accumulation	224.86	235.46	(4.50)
Class Z gross accumulation	170.70	177.85	(4.02)

* 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	2013 p	2012 p
Class A income	0.66	0.73
Class I income	1.42	1.65
Class I accumulation	1.85	2.12
Class 3 gross accumulation	1.42	0.02
Class I gross accumulation	2.62	2.76
Class Z gross accumulation	2.86	2.97

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

Fund facts

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

Ongoing charge figure

	2013 %	2012 %
Class A	1.19*	1.20
Class I	0.54**	0.55
Class Z	0.05**	0.05
Class 3	0.23***	0.23

The ongoing charge figure (OCF) of the Fund is 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 Committee of European Securities Regulators (CESR).

From 10 August 2013, the general administration charge (GAC):
* decreased from 0.18% to 0.14%
** decreased from 0.03% to 0.023%
*** decreased from 0.06% to 0.045%

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class X accumulation			
2008	1.90	179.50	123.00
2009	2.13	183.70	147.90
2010**	-	163.30	160.40
Class A income			
2008	2.39	178.70	122.50
2009	2.76	183.00	147.20
2010	1.81	177.50	159.70
2011	1.37	183.20	162.30
2012	0.73	181.50	170.20
2013	0.66*	178.50+	162.20+
Class I income			
2008	2.85	178.80	122.80
2009	3.39	183.10	147.40
2010	2.63	177.70	159.90
2011	2.10	183.50	162.50
2012	1.65	181.80	170.60
2013	1.42*	178.70+	162.70+
Class I accumulation			
2008	3.43	218.20	146.60
2009	4.16	223.40	182.00
2010	3.29	224.10	199.20
2011	2.66	234.50	206.40
2012	2.12	234.00	219.10
2013	1.85*	231.80+	211.70+
Class 3 gross accumulation			
2012+	0.02	101.00	97.40
2013	1.42*	102.40+	93.72+
Class I gross accumulation			
2008	4.46	224.90	149.90
2009	5.37	230.30	187.70
2010	4.31	233.00	206.30
2011	3.74	244.40	214.60
2012	2.76	244.30	228.70
2013	2.62*	242.60+	221.60+

Performance record (continued)

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class Z gross accumulation			
2008	3.88	166.70	110.60
2009	4.76	170.80	139.50
2010	4.04	174.20	153.60
2011	3.65	183.60	160.70
2012	2.97	184.20	172.20
2013	2.86*	183.50+	168.10+

* to 31 December
+ to 31 October
** Class X merged with Class A on 11 January 2010
+ Class 3 launched 26 August 2012

Past performance is not a guide to future performance.

Major holdings

as at 2013	%
US Treasury 0.375% 15/06/2015	8.84
Japan (Government of) 0.1% 20/12/2017	6.11
US Treasury 4.625% 15/11/2016	5.09
Australia 4% 20/08/2015	5.03
Japan (Government of) 1.1% 20/06/2021	4.47
Japan (Government of) 0.3% 20/03/2017	4.30
US Treasury 0.755% 28/02/2018	4.20
Japan (Government of) 2.1% 20/12/2030	3.97
Italy (Rep of) 5% 01/09/2040	3.91
US Treasury 1.375% 31/01/2020	3.32

Major holdings

as at 2012	%
US Treasury 4.5% 15/05/2017	13.27
Japan (Government of) 0.3% 20/03/2017	8.77
US Treasury 2.25% 31/05/2014	6.57
US Treasury 4% 15/02/2015	6.51
Italy (Rep of) 4.75% 01/05/2017	6.33
US Treasury 2.125% 15/08/2021	5.24
Japan (Government of) 0.9% 20/06/2022	4.61
Japan (Government of) 2.1% 20/12/2030	4.39
Japan (Government of) 1.1% 20/06/2021	4.17
France (Government of) 4.25% 25/10/2023	3.45

Asset allocation

as at 2013	%
United States	32.19
Japan	28.48
Europe	16.91
Australia	5.70
Singapore	1.79
Mexico	1.56
Canada	1.53
Sweden	0.83
Denmark	0.78
Derivatives	(0.18)
Net other assets	10.41
Total	**100.00**

Asset allocation

as at 2012	%
United States	38.99
Japan	29.90
Europe	22.25
Canada	1.91
Sweden	1.67
Australia	0.48
Net other assets	4.80
Total	**100.00**

Report and accounts

This document is a short report of the Henderson Overseas Bond Fund for the year ended 31 October 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.

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 31 October 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 Overseas Bond 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.

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