Henderson
GLOBAL INVESTORS

Henderson

# Global

Funds

**Annual report**
For the year ended 31 October 2011

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 £65.4† billion assets under management (as at 30 September 2011) and employs around 1,100 people worldwide.**

In Europe, Henderson has offices in Amsterdam, 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 Sydney. In April 2009 New Star Asset Management Group PLC was acquired by Henderson Group plc. In April 2011 Gartmore Group Limited was also acquired by Henderson Group plc.

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.

# Contents

# Authorised Corporate Director's (ACD) report

We are pleased to present the Final report and financial statements for Henderson Global Funds for the year ended 31 October 2011.

**Authorised status**

Henderson Global Funds (the Company) is an open ended investment company (OEIC) with variable capital authorised, under regulation 12 (Authorisation) of the OEIC regulations, by the Financial Services Authority on 21 June 2000. It is an umbrella company, comprising various Sub Funds, that was launched on 28 September 2000. Each Sub Fund is operated as a distinct Fund with its own portfolio of investments. Each Sub Fund has its own clear investment objective. The investment objective for each Sub Fund and the policy for achieving that objective is given in the 'Investment Objective' section of each Sub Fund's report. The investment activities of each Sub Fund are given in the 'Activity' section of each Sub Fund's report. Shareholders are not liable for the debts of the Company.

**Fund liabilities**

As a Sub Fund is not a legal entity, if the assets attributable to any Sub Fund were insufficient to meet the liabilities attributable to that Fund, the shortfall might have to be met out of the assets attributable to one or more other Sub Funds of the Company.

**Advisers**

| | Name | Address | Regulator |
|---|---|---|---|
| **Authorised Corporate Director and Dealing** | **Henderson Investment Funds Limited which is the sole director**<br>Member of IMA<br>The ultimate controlling party is Henderson Group Plc. | Registered Office:<br>201 Bishopsgate, London<br>EC2M 3AE.<br>Registered in England<br>No 2678531.<br>Telephone - 020 7818 1818<br>Dealing - 0845 608 8703<br>Enquiries - 0800 832 832 | Authorised and regulated by the Financial Services Authority. |
| **Investment Adviser** | **Henderson Global Investors Limited**<br>The ultimate controlling party is Henderson Group Plc. | 201 Bishopsgate, London<br>EC2M 3AE | Authorised and regulated by the Financial Services Authority. |
| **Registrar** | **International Financial Data Services (UK) Limited** | IFDS House<br>St Nicholas Lane<br>Basildon<br>Essex SS15 5FS | Authorised and regulated by the Financial Services Authority. |
| **Depositary** | **Royal Bank of Scotland**<br>From 1 October 2011<br>**National Westminster Bank plc** | The Broadstone,<br>50 South Gyle Crescent,<br>Edinburgh EH12 9UZ<br>135 Bishopsgate<br>London EC2M 3UR | Authorised and regulated by the Financial Services Authority |
| **Independent Auditors** | **PricewaterhouseCoopers LLP** | 141 Bothwell Street<br>Glasgow<br>G2 7EQ | Institute of Chartered Accountants in England and Wales |
| **Legal Adviser** | **Eversheds LLP** | One Wood Street<br>London<br>EC2V 7WS | The Law Society |

# Market review for the year ended 31 October 2011

Returns are sterling returns and total return indices unless otherwise stated.

## Overview

Global equities encountered significant headwinds over the period under review. These included continuing concerns over sovereign debt in the eurozone peripheral countries, and building inflationary pressures across the globe, which precipitated monetary tightening in a number of countries. Surging oil prices, ignited by the political turbulence that swept across the Middle East and North Africa, as well as the Japanese earthquake and tsunami provided further market shocks. Nevertheless, the decision by the US Federal Reserve in November to provide further stimulus through a second round of quantitative easing (QE2) provided liquidity to the markets. The positive momentum was further driven by a series of largely buoyant corporate earnings results. Most equity markets followed the template of hitting a high in April but struggled to make further headway from then on as fresh fears surrounding Greece and the strength of the global economy resurfaced. Among commodities, the oil price soared, with Brent Crude oil reaching US$120 a barrel in April, June and July as demand from the recovering global economy ran up against supply constraints.

Markets fell sharply in August when it became clear that the Greek and Euro crises and the US debt ceiling debate began to spill over and have an effect on the real economy and real demand. Contagion reached Italy and Spain and government debt yields surged. EU leaders passed a multi-faceted bailout (including secondary purchases and bank recapitalisations) and easier loan terms for Ireland, Portugal and Greece. On 5 August, S&P downgraded the US long-term credit rating from AAA to AA+ with a 'negative outlook'. This added to the panic of a slowdown in the US economy. Investors pinning their hopes on a recovery in equity markets in September were to be sorely disappointed. The US Federal Reserve's decision to undertake 'Operation Twist', which should help to lower financing costs further along the yield curve, failed to inspire investors.

In general, global equity markets rallied during October with investors switching from 'risk-off' to 'risk-on' positions as sentiment improved and volatility fell back. Europe was the key driver of the recovery as the markets became increasingly confident that politicians could find a solution to the eurozone debt crisis. US economic statistics also helped, appearing to show the country moving away from recession territory as the pace of growth accelerated faster than expected in the third quarter of 2011. The quarterly US earnings season produced a round of solid corporate profit reports, aiding sentiment. However, the last day of the month delivered the unwelcome news that the Greek prime minister wanted to subject the country's newly agreed bailout plan to a referendum, which caused markets to weaken. The MSCI World Index rose 1.3% over the period.

## Europe

In November 2010, Ireland was forced to accept a bailout from the European Union and the International Monetary Fund. Stocks rallied in December and a successful debut debt issuance by the European Financial Stability Facility also cheered investors in January. Rising inflation ignited concerns that the ECB would tighten monetary policy, particularly as the rhetoric from ECB President Jean-Claude Trichet had turned increasingly hawkish. Stocks slid in March following the Japanese earthquake but rebounded in April on strong corporate earnings; even Portugal becoming the third eurozone country to require a bailout and the ECB pressing ahead with an interest rate rise failed to dampen risk appetite. Renewed concerns about Greece's debt returned to haunt markets, although shares rallied sharply at the end of June after the Greek parliament passed austerity measures that released fresh bailout funds to stave off a default.

Equities fell sharply in August 2011 because of a combination of a deteriorating economic outlook and the deepening European sovereign debt crisis as investors looked for safety in gold and selected government bonds. Fresh fears about the capacity for eurozone countries to fund their deficits saw yields on peripheral bonds rise. The European Central Bank (ECB) was forced to resume its securities purchasing, extending this to Spanish and Italian debt as confidence collapsed. There were also signs of a slowdown in German economic growth. In September, the ECB extended liquidity to European banks to ease funding pressures and kept interest rates at 1.5%. October saw a sharp equity rally on hopes of more decisive political action to address the eurozone sovereign debt crisis, with a more realistic approach to Greece and moves to recapitalise banks and stabilise Spain and Italy. These hopes - combined with some economic data from the US that was less gloomy than expected - led to a sharp rally in cyclical companies, with defensives lagging behind. The FTSE World Europe excluding UK Index shed 9.3% over the period.

## UK

UK equities advanced over the final months of 2010 despite succumbing to temporary selling in mid-November as Ireland's debt troubles reignited sovereign debt fears. Stocks slid in January on news that the UK economy had contracted 0.5% in the final quarter of 2010. Poor economic data, particularly weaker manufacturing figures and declining consumer confidence, affected share prices in May and June. Second quarter UK economic growth was a disappointing 0.1% quarter-on-quarter.

In August, the UK reeled from several days of unrest but calm was restored to the streets. An escalation in the eurozone sovereign debt crisis and deterioration in global economic data caused investors to turn more risk averse. In stark contrast to the European Central Bank (ECB), the Bank of England appeared to be setting the stage for a resumption of quantitative easing as its September minutes revealed a very dovish tone. Lower manufacturing and services Purchasing Managers Indices (PMIs) readings were among datasets that suggested the UK economy was stalling. In response to the euro crisis and a deteriorating outlook for growth, the Bank of England announced a second round of quantitative easing. October saw a significant recovery in equities in the run-up to and after the European Union (EU) summit on 27 October, which revealed plans for how the EU intended to deal with the three key issues of Greek debt write-downs, European Financial Stability Facility (EFSF) leverage and European bank recapitalisations. The FTSE All-Share Index rose 0.6% over the period.

### US

At the start of the period, US equities continued to strengthen as economic data improved and the Federal Reserve (Fed) sparked speculation of a second round of quantitative easing. This was confirmed in November when the Fed announced it would purchase $US600 billion in US Treasuries. The upward momentum continued into the year end, buoyed by President Obama's decision to extend his predecessor's tax cuts. Concerns over the US's significant budget deficit were heightened, however, when Moody's, the credit rating agency, placed the nation's AAA credit rating on negative watch. In spring, US markets were affected by global events but initially improving job numbers – 216,000 jobs were created in March – together with a decent start to the earnings results season lifted investor sentiment.

The mood soon reversed, however, following weakness in key purchasing manager surveys and the failure of the labour market to maintain the buoyancy it had exhibited in March and April, causing equities to retreat for much of May and June. Second quarter GDP growth came in at a stronger 1.3% annualised compared to 0.4% in the previous quarter. The US set the tone for the markets in August with Standard & Poor's historic downgrading of US debt. Investors hoping that the US Federal Reserve would embark on a third round of quantitative easing were left disappointed; instead of an outright balance sheet expansion it opted for 'Operation Twist' in which it would buy longer-dated Treasuries with the proceeds of shorter-dated Treasuries to help anchor lower yields further along the maturity curve using $400 billion of its existing portfolio. Whilst helpful for the mortgage market, it did not excite equity markets. October brought some much-needed relief to equity investors after five consecutive monthly declines. The S&P 500 Index had its best single month since 1991. Investors were cheered by signs that eurozone leaders were making progress in devising a bail out plan for Greece and that it could be possible to prevent the European crisis from becoming a more systemic problem. In addition, the latest batches of economic data releases were encouraging for the US, which appeared to be moving away from recession territory as discretionary spending edged higher and consumer confidence rose, accompanied by another round of solid corporate profit reports. The S&P 500 Composite Index rose 7.1% over the period.

### Japan

Japanese equities advanced strongly in the final months of 2010 as a weakening yen provided relief, while strong economic growth figures and the approval of an economic stimulus package lifted sentiment. Dominating events in Japan, however, was the impact of the earthquake and tsunami, which devastated parts of North East Japan on 11 March 2011. The yen surged but equities sank, causing the Bank of Japan to deploy cash to stabilise asset markets. The equity market recovered some of its losses in the final weeks of March but struggled to make headway in the second quarter of 2011. Critical damage at the Fukushima nuclear power plant triggered fears about a possible nuclear meltdown but this was subsequently contained and the disruption to supply chains wreaked by the earthquake and tsunami, whilst damaging, was not as bad as first feared, with industrial production rebounding sharply in May.

In the second quarter of 2011, Japan's economy contracted more than initially estimated, shrinking at an annual rate of 2.1%. Companies made the decision to cut back spending due to concerns about a slowing global economy and a rising yen. Against the backdrop of global macro uncertainty, the Japanese yen strengthened rapidly since the summer with other derisking defaults such as gold and the Swiss franc. Second quarter economic growth was revised down to -2.1% annualised, from an earlier estimate of -1.3% prompting the government to propose a series of measures aimed at softening the blow that the soaring yen has dealt to its export-driven economy. October saw Japan's third foray into the foreign exchange markets to weaken the yen this year. This was prompted after the currency rose to a new high versus the dollar, with the US currency falling as low as 75.35. The FTSE Japan Index lost 2.3% over the period.

### Asia Pacific (excluding Japan) and emerging markets

Supportive liquidity conditions and strong earnings boosted emerging markets and Asian equities in the final stages of 2010, buoyed by the additional liquidity provided by the second round of quantitative easing from the US. However, this soon gave way to worries about overheating and the potential inflationary impact of the move. Such fears were realised when data released in January revealed that the Chinese economy had grown by a faster-than-expected 9.8% annualised in the final quarter of 2010. Global anxiety over the European sovereign debt crises remained at elevated levels during the second quarter of 2011; oil prices eased a little although strong food prices and wage growth continued to drive monetary policy in emerging markets. EMEA (Europe, Middle East and Africa) was the best performing region during the quarter, while the commodity exporting regions of Latin America produced a drag on performance.

Global emerging markets fell sharply in August and September 2011 as global risk aversion accelerated and speculation that the Chinese economy is decelerating more quickly than expected. The Reserve Bank of India (RBI) increased the key benchmark rate at which banks borrow from the RBI to 8.25% in order to rein in inflation. Asian markets rebounded strongly in October from highly oversold levels. The main fundamental development was the growing evidence that the Chinese authorities have started to selectively ease monetary policy in response to the eurozone crisis, increased evidence of distress in short term funding markets in China, and indications that domestic inflation is peaking. Similarly in India, the central bank indicated that this month's increase in interest rates would be the last for a while, and in Indonesia rates were cut for the first time in the current cycle. The FTSE World Asia Pacific excluding Japan Index fell 0.6%, whilst the MSCI Emerging Markets Index lost 8.3% over the year.

### Fixed Income

Sharp swings in risk appetite characterised the fourth quarter of 2010 as the fluctuating fortunes of the peripheral countries of the eurozone and contrasting news on the global recovery caused demand for government bonds to rise and fall. Strong risk appetite going into the end of 2010 boosted high yield bond markets as investors favoured credit-sensitive bonds over interest-rate sensitive bonds. A positive reception to Credit Suisse's hybrid bond further lifted sentiment for riskier assets in February, although increasing political unrest in North Africa and the Middle East caused a subsequent flight to quality and government bonds returned to favour, compounded in late April by some weak economic data. Government bonds outside the eurozone periphery performed well in May, but performed less well in June as nervousness over the possibility of a Greek sovereign default grew. There was a sharp rise in benchmark Greek 10-year government bond yields as investors demanded more compensation in terms of income to reflect the rising possibility of a default. The US and the UK kept interest rates on hold despite building inflationary pressures, but the European Central Bank lifted its policy rate in April.

In October, high yield and subordinated financial bonds significantly outperformed investment grade and government bonds during the month. This was a welcome relief after high yield bonds had fallen for the previous four months. Core government bond prices fell as risk assets outperformed and economic data in China and the US was better than expected. In Europe, investors looked to policymakers for a comprehensive solution to the sovereign crisis. Investor demand for peripheral European government debt remained subdued, however, and prices fell sharply (yields rose) in spite of central bank intervention in the markets. At the beginning of the month the Bank of England announced a second round of quantitative easing in an attempt to boost the UK economy. However, the roller coaster ride in credit markets continued as European Union (EU) leaders struggled to contain the euro crisis. Agreement reached between the EU leaders at the end of the month regarding a new bailout for Greece and an increase in the capital requirements for banks saw a strong rally in corporate bonds, especially financials. The month finished on a positive tone following the EU leaders meeting. However, many of the details still need to be finalised before we will know if this latest plan proves to be a turning point.

Source for all index performance is Datastream.

# Statement of Authorised Corporate Director's (ACD's) Responsibilities

The Financial Services 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 of its revenue/expenditure for the period. 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 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 Global Funds ('the Company') for the year ended 31 October 2011

The Depositary is responsible for the safekeeping of all 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 is accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook, as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended ('the OEIC Regulations'), 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 applicable to 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 aspects 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.

The Royal Bank of Scotland plc (RBS), the Depositary of the Fund has from the 1 October 2011 transferred its depositary role in respect of the Company to National Westminster Bank. National Westminster Bank plc is a subsidiary company of RBS and as such The Royal Bank of Scotland Group plc will remain as the ultimate holding company of the Depositary.

As Depositary, National Westminster Bank plc has the same duties and responsibilities as the Royal Bank of Scotland plc and the change of Depositary will have no impact on the way the Company is operated.

Nataional Westminster Bank plc
London
10 February 2012

# Independent Auditors' Report to the Shareholders of Henderson Global Funds

We have audited the financial statements of Henderson Global Funds (the "Company") for the year ended 31 October 2011 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 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 members as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 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 October 2011 and of the net revenue and the net losses 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 Global Funds (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 and Statutory Auditors
Glasgow
10 February 2012

### 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 October 2011

| | Note | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Net capital (losses)/gains | 3 | | (7,869) | | 167,706 |
| Revenue | 5 | 17,150 | | 15,103 | |
| Expenses | 6 | (12,081) | | (10,664) | |
| Finance costs: Interest | 8 | (4) | | (10) | |
| Net revenue before taxation | | 5,065 | | 4,429 | |
| Taxation | 7 | (1,316) | | (1,151) | |
| Net revenue after taxation | | | 3,749 | | 3,278 |
| **Total return before distributions** | | | (4,120) | | 170,984 |
| Finance costs: Distributions | 8 | | (6,755) | | (6,477) |
| **Change in net assets attributable to shareholders from investment activities** | | | **(10,875)** | | **164,507** |

## Aggregated statement of change in net assets attributable to shareholders for the year ended 31 October 2011

| | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|
| **Opening net assets attributable to shareholders** | | **978,138** | | **770,571** |
| Amounts receivable on issue of shares | 160,676 | | 198,335 | |
| Amounts receivable on mergers * | 116,784 | | - | |
| Amounts payable on cancellation of shares | (237,262) | | (166,449) | |
| Amounts receivable on specie transfers | - | | 4,165 | |
| | | 40,198 | | 36,051 |
| Dilution adjustment | | - | | 274 |
| Stamp duty reserve tax | | (11) | | (15) |
| Unclaimed distributions | | 1 | | 1 |
| Change in net assets attributable to shareholders from investment activities (see above) | | (10,875) | | 164,507 |
| Retained distributions on accumulation shares | | 6,629 | | 6,749 |
| **Closing net assets attributable to shareholders** | | **1,014,080** | | **978,138** |

*Relating to the merger of the Henderson Asia Portfolio Fund on 13 May 2011 & Gartmore Pacific Opportunities Fund on 12 August 2011.

# Aggregated balance sheet as at 31 October 2011

| | Note | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investment assets | | | 972,044 | | 922,709 |
| Debtors | **9** | 22,687 | | 13,897 | |
| Cash and bank balances | **10** | 42,569 | | 51,380 | |
| Total other assets | | | 65,256 | | 65,277 |
| **Total assets** | | | 1,037,300 | | 987,986 |
| **Liabilities** | | | | | |
| Investment liabilities | | | 569 | | 1 |
| Creditors | **11** | 17,997 | | 5,611 | |
| Bank overdrafts | | 4,601 | | 4,196 | |
| Distribution payable on income shares | | 53 | | 40 | |
| Total other liabilities | | | 22,651 | | 9,847 |
| **Total liabilities** | | | 23,220 | | 9,848 |
| **Net assets attributable to shareholders** | | | **1,014,080** | | **978,138** |

# Certification of financial statements by Directors of the ACD

In accordance with the requirements of the Financial Services 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.

Andrew Formica
(Chief Executive)

David Jacob
(Chief Investment Officer)

10 February 2012

# Aggregated notes to the financial statements as at 31 October 2011

## 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 for Authorised Funds (SORP) issued by the Investment Management Association (IMA) in October 2010.

### Change in accounting policy

The Statement of Recommended Practice (October 2010) supersedes the previous version (November 2008) and applies to accounting periods beginning on or after 1 January 2010.

As a result of this change Portfolio turnover ratios have been removed from the Financial statements.

### (b) 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. Interest and revenue earned on other securities are recognised on an accruals basis.

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

Interest from 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.

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

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 received is deducted from the cost of the relevant shares.

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

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 as schedule A revenue, while the UK dividend will be treated as franked revenue.

### (c) Treatment of stock dividends

Dividends received as shares (scrip/stock dividends), to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue. This revenue forms part of any distribution.

In the case of enhanced scrip dividends, the amount by which such dividends exceed the cash dividends is treated as capital and does not form part of the distribution.

### (d) Special dividends

These are recognised as either revenue or capital depending on the nature and circumstances of the dividend receivable.

### (e) Treatment of derivatives

In pursuing its investment objectives, each of the Funds may hold a number of financial instruments.

**Forward currency contracts.** Open forward currency contracts which are all covered are shown in the Portfolio Statement at fair value and the net gains/(losses) are reflected in net capital gains/(losses) on investments.

**Futures contracts.** Open futures contracts are shown in the Portfolio Statement at fair value and the net gains/(losses) are reflected within Derivative contracts in net capital gains/(losses) on investments.

**Options contracts.** Options contracts are shown in the Portfolio Statement at fair value and the net gains/(losses) are reflected within Derivative contracts in net capital gains/(losses) on investments

**Contracts for difference.** Contracts for difference are shown in the Portfolio Statement at fair value and the net gains/(losses) are reflected within Derivative Contracts in net capital gains/(losses) on investments.

Cash held at brokers as margin is reflected separately within cash and bank balances.

## 1 Accounting policies (continued)

Derivative transactions are accounted for on a trade date basis. Where such transactions are used to protect or enhance revenue, the revenue and expenses derived there from are included in 'Revenue' in the Statement of total return on an accruals basis. Where such transactions are used to protect or enhance capital, the gains and losses derived there from are included in 'Net capital gains/(losses)' in the Statement of total return.

**(f) Treatment of expenses (including ACD expenses)**

All expenses (other than those relating to the purchase and sale of investments and stamp duty reserve tax arising on sales and repurchases of shares in the Fund) are charged against revenue on an accruals basis. The distribution currently payable reflects this treatment together with any associated tax effect.

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 Annual Management Charge, Depositary and Safe Custody fees, and Dividend collection charges have been replaced by a single ad valorem charge, the General Administrative Charge (GAC) which was introduced in January 2010. The ACD believes that this creates more efficiency and transparency around the charging process than more traditional methods.

For further details please refer to the prospectus.

**Allocation of revenue and expenses to multiple share classes**

With the exception of the ACD's periodic charge, and the 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.

**(g) 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 any of the ACD's periodic charge or other expense which may currently be transferred to capital.

For the purpose of calculating the distribution, revenue on debt securities is computed on an effective yield basis, the same basis on which it is reflected in the financial statements as modified by the revaluation of investments.

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

**(h) Basis of valuation of investments**

The valuation point is close of business on the last business day of the accounting period. Listed investments are valued at fair value which is generally deemed to be bid market price.

Unlisted, unapproved, illiquid or suspended securities are valued at the ACD's best estimate of the amount that would be received from an immediate transfer at arm's length.

Where applicable, investment valuations exclude any element of accrued revenue.

**(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 is made for tax at the current rates on the excess of taxable revenue over allowable expenses, with relief for overseas taxation taken where appropriate.

In general, the tax accounting treatment follows that of the principal amount.

Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. Deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Deferred tax assets are only recognised to the extent it is regarded as more likely than not that there will be taxable profits against which the future reversal of underlying timing differences can be offset.

# Aggregated notes to the financial statements (continued)

## 1 Accounting policies (continued)

**(k) Aggregation**

The aggregated accounts represent the sum of the individual Funds within the umbrella company. Further analysis of the distribution and the net asset position can be found within the financial statements of the individual Funds.

**(l) Cash flow statement**

After analysis of the Funds, there is no requirement to produce cash flow statements.

## 2 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 sub 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. The main risks arising from financial instruments are credit, liquidity and market risks. The risks have remained unchanged since the beginning of the year to which these financial statements relate and are summarised below.

**(a) Market risk**

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

For those Funds 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 foreign currency profile for the relevant Funds is shown in their notes to the financial statements, contained within the full accounts.

**Interest rate risk**

The Funds may invest in debt securities. The revenue of the Funds 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. Certain Funds can invest in interest rate swaps and credit default swaps to adjust the interest rate risk profile of the Funds across the entire yield curve quickly and efficiently. The interest rate profile for relevant funds is shown in their notes to the financial statements, contained within the full accounts.

**Other price risk**

Other price risk is the risk that the value of the Funds' investment 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.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the Financial Services Authorities Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

**(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.

## 2 Risk (continued)

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' portfolio in order to meet redemption requests. In addition the ACD monitors market liquidity of all securities, seeking to ensure the Funds maintain sufficient liquidity to meet known and potential redemption activity. 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 (including FRNs) 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 counterparty 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 its 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 ACD 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.

A counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the Financial Services Authority (FSA) Register or whose Home State authorisation, permits it to enter into the transaction as a principal off-exchange.

**Analysis of the risk profile of each Fund's portfolio are set out in the financial statements of each Fund.**

## 3 Net capital (losses)/gains

Net capital (losses)/gains on investments during the year comprise:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Derivative contracts | (441) | 1,102 |
| Forward currency contracts | 10 | 22 |
| Non-derivative securities | (8,454) | 163,179 |
| Other currency gains | 1,097 | 3,511 |
| Transaction costs | (81) | (108) |
| **Net capital (losses)/gains** | **(7,869)** | **167,706** |

## 4 Portfolio transaction costs

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Purchases in year before transaction costs | 885,590 | 485,831 |
| Commissions | 877 | 553 |
| Other costs | 1 | - |
| Taxes | 112 | 54 |
| Total purchase transaction costs* | 990 | 607 |
| **Purchases including transaction costs** | **886,580** | **486,438** |
| Sales in year before transaction costs | 827,451 | 468,302 |
| Commissions | (785) | (549) |
| Other costs | (47) | - |
| Taxes | (244) | (165) |
| Total sale costs | (1,076) | (714) |
| **Sales net of transaction costs** | **826,375** | **467,588** |
| **Transaction handling charges*** | **81** | **108** |

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

## 5 Revenue

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Bank interest | 122 | 28 |
| Interest on debt securities | 4,594 | 4,358 |
| Interest on margin | 7 | - |
| Overseas dividends | 11,355 | 9,538 |
| Stock dividends | 498 | 798 |
| Stock lending revenue | 98 | 136 |
| UK dividends | 476 | 245 |
| **Total revenue** | **17,150** | **15,103** |

| **Stock lending details** | 2011 £000 | 2010 £000 |
|---|---|---|
| Aggregate value of securities on loan at the year end | 19,733 | 23,761 |

The aggregate value of securities at the year end and during the year subject to stock lending was fully secured. Further details of these and the collateral value and type are set out in the accounts of each Fund.

## 6 Expenses

| | 2011 £000 | 2010 £000 |
|---|---|---|
| **Payable to the ACD, associates of the ACD and agents of either of them:** | | |
| ACD's periodic charge | 10,352 | 9,083 |
| General administration charge* | 1,598 | 1,153 |
| Sub registration fees | - | 71 |
| | 11,950 | 10,307 |
| **Payable to the Depositary, associates of the Depositary and agents of either of them:** | | |
| Depositary fees | 122 | 105 |
| Safe custody fees | 171 | 153 |
| | 293 | 258 |
| **Other expenses:** | | |
| Professional fees | 19 | - |
| Registration Fees | - | 52 |
| Audit fees | - | 15 |
| Dividend collection charges | 11 | 12 |
| Listing fees | - | 5 |
| VAT refund | (11) | - |
| Printing and postage fees | - | 15 |
| Prior year over accrual | (181) | - |
| | (162) | 99 |
| **Total expenses** | **12,081** | **10,664** |

Irrecoverable VAT is included in the above expenses where necessary.
* The current year audit fees are £64,680 (2010: £63,602). The audit fees levied through the GAC charge are £64,680 (2010: £50,437).

## 7 Taxation

### (a) Analysis of charge in year

The tax charge comprises:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| UK corporation tax | 56 | 32 |
| Double tax relief | (56) | (32) |
| Overseas tax reclaims | 84 | (57) |
| Overseas withholding tax | 1,187 | 1,208 |
| Irrecoverable capital tax | 45 | - |
| **Total current tax (note 7b)** | **1,316** | **1,151** |

### (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.

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Net revenue before taxation | 5,065 | 4,429 |
| Corporation tax at 20% (2010: 20%) | 1,013 | 885 |
| Effects of: | | |
| Revenue being paid as interest distributions | (853) | (804) |
| Irrecoverable income tax | 68 | - |
| Irrecoverable overseas tax | 1,148 | 1,119 |
| Non-taxable overseas dividends ** | (2,146) | (1,426) |
| Irrecoverable capital tax | 45 | - |
| Stock dividends* | (109) | (20) |
| UK dividends* | (93) | (539) |
| Other non-taxable income | (2) | - |
| Unused management expenses | 2,245 | 1,936 |
| **Current tax charge for the year (note 7a)** | **1,316** | **1,151** |

* As an OEIC this item is not subject to corporation tax.

** Overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.

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 (2010: 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 £17,243,001 (2010: £15,025,259) 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.

## 8 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:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Interim income | 30 | 59 |
| Interim accumulation | 3,231 | 3,311 |
| Final income | 53 | 40 |
| Final accumulation | 3,398 | 3,438 |
| Tax withheld on interest distributions | 9 | 22 |
| | 6,721 | 6,870 |
| Amounts deducted on cancellation of shares | 203 | 71 |
| Amounts received on issue of shares | (169) | (464) |
| Finance costs: Distributions | 6,755 | 6,477 |
| Finance costs: Interest | 4 | 10 |
| **Total finance cost** | **6,759** | **6,487** |
| Net revenue after taxation | 3,749 | 3,278 |
| Revenue shortfall | 2,961 | 3,199 |
| Irrecoverable capital tax | 45 | - |
| Finance cost: Distributions | **6,755** | **6,477** |

## 9 Debtors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Accrued revenue | 2,460 | 2,753 |
| Amounts receivable for issue of shares | 380 | 2,828 |
| Currency transactions awaiting settlement | 2,954 | 368 |
| Amounts receivable on merger | 83 | - |
| Overseas withholding tax reclaimable | 241 | 149 |
| Sales awaiting settlement | 16,569 | 7,799 |
| **Total debtors** | **22,687** | **13,897** |

## 10 Cash and bank balances

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Amounts held at futures clearing houses and brokers | 309 | 430 |
| Cash and bank balances | 42,260 | 50,950 |
| **Total cash and bank balances** | **42,569** | **51,380** |

## 11 Creditors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Accrued ACD's periodic charge | 862 | 814 |
| Accrued Depositary's fees | 12 | 9 |
| Accrued other expenses | 163 | 435 |
| Amounts payable for cancellation of shares | 2,746 | 736 |
| Corporation tax payable | - | 5 |
| Currency transactions awaiting settlement | 2,945 | 368 |
| Income tax payable | 2 | - |
| Purchases awaiting settlement | 11,267 | 3,244 |
| **Total creditors** | **17,997** | **5,611** |

### 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 the ACD is deemed to be a related party. All transactions and balances associated with the ACD and are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 9 and 10 and notes 6, 9 and 11 on pages 16 to 19 including all creations and cancellations where the ACD acted as principal.

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 (2010: £58,210).

### 13 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. In the prior year, the net dilution adjustment charged was disclosed under dilution adjustment in the Statement of change in net assets. The prior year comparatives have not been adjusted as the information required is not readily available.

# Manager's report

## Fund Manager

Andrew Beal

## Investment objective and policy

To aim to provide capital growth by investing in Pacific region and Indian sub-continent companies. The Fund may invest in Australasia, but not in Japan. It is not restricted in the size of companies in which it can invest.

## Performance summary

Over the year the Fund decreased by 8.9% compared with a 4.8% decrease in the MSCI All Country Asia Pacific Free (ex Japan) Index.

**Discrete annual performance**

| | 1 Nov 10-31 Oct 11 % | 1 Nov 09-31 Oct 10 % | 1 Nov 08-31 Oct 09 % | 1 Nov 07-31 Oct 08 % | 1 Nov 06-31 Oct 07 % |
|---|---|---|---|---|---|
| **Henderson Asia Pacific Capital Growth Fund** | (8.9) | 26.0 | 77.0 | (47.5) | 47.7 |
| **MSCI All Country Asia Pacific Free (ex Japan) Index** | (4.8) | 24.2 | 63.1 | (44.7) | 54.0 |

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

Please remember that past performance is not a guide to future performance. The value of an investment and the income 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 October 2011

| **Purchases** | **£000** | **Sales** | **£000** |
|---|---|---|---|
| Hyundai Motor | 8,587 | Keppel | 7,033 |
| CIMB Group | 7,935 | Sina.com | 6,326 |
| Gome Electrical | 7,622 | PTT | 6,230 |
| Prada | 7,492 | Air China | 5,167 |
| Baidu | 7,311 | China National Building | 5,128 |
| Hyundai Glovis | 7,298 | Taiwan Semiconductor | 3,913 |
| CITIC Pacific | 6,952 | Ping An Insurance 'H' | 3,896 |
| Tata Motors | 6,928 | Bank of China 'H' | 3,804 |
| CITIC Securities | 6,284 | Shimao Property | 3,628 |
| Hana Tour Service | 5,724 | Hang Lung Properties | 3,489 |

### Activity

The last twelve months have been an unprecedented period for global financial markets as they have been buffeted by the continuing crisis in the eurozone, a faltering US economy, political instability in the Middle East, the impact of extreme weather on commodity prices and the Tohoku earthquake in Japan.

The final quarter of the financial year was particularly difficult as Asia sold-off sharply on fears over Europe and the US as well as panic surrounding the outlook for China. Heavy selling of Asian assets by international investors also led to weakness in Asian currencies. Over the course of the year, South Korea, Indonesia and the Philippines were the best performing markets given a relatively benign outlook for inflation and their domestic economies. China and India were significant underperformers as policy makers in both countries continued to battle rising inflation.

Overall fund performance was disappointing. In particular, the Fund's structural underweight in the Australian market was negative given the relative resilience of the stock market and the Australian dollar. Additionally, Indian stock selection was poor, led by falls in motor group Maruti Suzuki and capital goods company, Bharat Heavy Electrical. Taiwanese stock selection also hit performance; Mediatek fell following disappointing earnings. More positively, stock selection in China was positive helped by holdings in internet companies, Tencent and Sina, which performed significantly ahead of the rest of the market as they continued to deliver very strong growth. Sands China also performed well on strong growth in the Macau casino market. In Korea, Hyundai Motors and Hyundai Glovis surged as the group's global auto sales climbed on growth in emerging markets and rapid competitive gains versus the Japanese.

The Fund has moved away from more cyclical and export-related companies towards those that will benefit from continued growth in spending by Asian consumers. In China, positions were added in rapidly growing fast food chain, Ajisen China in anticipation of further strong growth in demand and further store expansion. The Fund also took part in the Hong Kong initial public offering of luxury goods company Prada which is expected to rapidly expand its already substantial business in China and other Asian markets. In Korea, shares were bought in travel operator Hana Tour to capture rapid growth in demand for overseas travel by Korean households; we also purchased Cheil Worldwide, which is a beneficiary of deregulation of the Korean television advertising market. Other purchases included Genting Hong Kong, a casino and resort operator in the Philippines and CP All, the Thai operator of the 7-11 convenience store brand.

Geographical exposure remains biased towards China and Southeast Asia. Over the course of the year, some profits were taken in China and the overall overweight in Taiwan was also reduced. The cash raised from these sales was mainly used to fund a larger weighting in Korea.

Andrew Beal
21 November 2011

# Comparative tables as at 31 October 2011

## 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 X accumulation** | | | | |
| 31/10/2009 * | 126,641,278 | 664,999 | 129,295 | 514.33 |
| **Class A accumulation** | | | | |
| 31/10/2009 | 126,641,278 | 108,989,940 | 20,360,474 | 535.30 |
| 31/10/2010 | 144,347,301 | 125,568,736 | 18,548,933 | 676.96 |
| 31/10/2011 | 224,520,214 | 192,618,172 | 31,594,956 | 609.65 |
| **Class I accumulation** | | | | |
| 31/10/2009 | 126,641,278 | 16,508,193 | 2,969,832 | 555.86 |
| 31/10/2010 | 144,347,301 | 18,100,782 | 2,558,436 | 707.49 |
| 31/10/2011 | 224,520,214 | 28,170,956 | 4,391,384 | 641.51 |
| **Class Z accumulation** | | | | |
| 31/10/2009 | 126,641,278 | 478,146 | 83,517 | 572.51 |
| 31/10/2010 | 144,347,301 | 677,783 | 92,092 | 735.99 |
| 31/10/2011 | 224,520,214 | 773,248 | 114,718 | 674.04 |
| **Class P accumulation** | | | | |
| 31/10/2011 # | 224,520,214 | 2,957,838 | 735,040 | 402.41 |

* X Share class merged with A share class on 11 January 2010.

# P Share class launched on 12 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 X accumulation** | | | |
| 2006 | 0.84 | 412.50 | 332.20 |
| 2007 | 2.01 | 566.60 | 394.80 |
| 2008 | 1.27 | 560.70 | 259.50 |
| 2009 | 1.09 | 569.20 | 298.20 |
| 2010 ** | - | 588.50 | 568.50 |
| **Class A accumulation** | | | |
| 2006 | 2.75 | 424.10 | 340.80 |
| 2007 | 3.47 | 584.60 | 406.40 |
| 2008 | 3.26 | 578.40 | 268.80 |
| 2009 | 3.41 | 579.40 | 309.40 |
| 2010 | 2.06 | 725.80 | 537.00 |
| 2011 | 0.83* | 742.70+ | 507.90+ |
| **Class I accumulation** | | | |
| 2006 | 4.56 | 435.00 | 349.00 |
| 2007 | 5.84 | 601.70 | 417.30 |
| 2008 | 5.28 | 595.40 | 277.80 |
| 2009 | 5.85 | 616.20 | 320.20 |
| 2010 | 7.77 | 759.30 | 558.30 |
| 2011 | 4.33* | 777.20+ | 534.20+ |
| **Class Z accumulation** | | | |
| 2006 | 3.51 | 438.00 | 350.00 |
| 2007 | 5.84 | 608.10 | 420.80 |
| 2008 | 8.25 | 595.40 | 283.80 |
| 2009 | 5.67 | 635.70 | 328.10 |
| 2010 | 17.55 | 791.20 | 576.40 |
| 2011 | 13.42* | 809.90+ | 560.90+ |
| **Class P accumulation** | | | |
| 2011 # | 1.92* | 415.20+ | 335.00+ |

* to 30 December

\+ to 31 October

** X Share class merged with A share class on 11 January 2010.

\# P Share class launched on 12 August 2011.

# Total expense ratio

The annualised total expense ratio (TER) of the Fund, based on the total expenses included within the financial statements for the year as indicated below:

| | 2011<br>% | 2010<br>% |
|---|---|---|
| **Class A** | 1.79 | 1.77 |
| **Class I** | 1.11 | 1.11 |
| **Class Z** | 0.11 | 0.12 |
| **Class P** | 0.62 | n/a* |

* P Share class launched on 12 August 2011.

The TER of the Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.

# Portfolio statement as at 31 October 2011

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Equities 98.42% (2010: 97.56%)** | | |
| | **China 31.00% (2010: 34.52%)** | | |
| 8,992,000 | Agile Property Holdings | 5,130 | 2.29 |
| 5,422,000 | Ajisen (China) Holdings | 4,802 | 2.14 |
| 87,728 | Baidu | 7,611 | 3.39 |
| 5,715,000 | CITIC Securities | 7,049 | 3.14 |
| 5,601,000 | CNOOC | 6,802 | 3.03 |
| 279,450 | Ctrip.Com ADR | 6,035 | 2.69 |
| 7,174,000 | Dongfeng Motor Group | 7,441 | 3.31 |
| 32,401,000 | Gome Electrical | 6,308 | 2.81 |
| 16,333,874 | Industrial & Commerial Bank of China 'H' | 6,425 | 2.86 |
| 479,100 | Tencent Holdings | 6,965 | 3.10 |
| 3,430,000 | Zhuzhou CSR Times Electric | 5,035 | 2.24 |
| | | 69,603 | 31.00 |
| | **Hong Kong 12.05% (2010: 11.82%)** | | |
| 3,848,464 | China Overseas Land | 4,508 | 2.01 |
| 5,012,000 | CITIC Pacific | 5,718 | 2.55 |
| 22,000,000 | Emperor Watch and Jewellery | 2,282 | 1.02 |
| 6,916,000 | Fushan International Energy | 1,782 | 0.79 |
| 4,154,000 | Sands China | 7,921 | 3.53 |
| 560,000 | Sun Hung Kai Properties | 4,830 | 2.15 |
| | | 27,041 | 12.05 |
| | **Ireland 0.01% (2010: 0.00%)** | | |
| 185 | Polar Capital Asian Financials Fund 'A' | 26 | 0.01 |
| | **India 5.71% (2010: 10.51%)** | | |
| 241,703 | ICICI Bank | 5,565 | 2.48 |
| 584,548 | Tata Motors | 7,250 | 3.23 |
| | | 12,815 | 5.71 |
| | **Indonesia 6.26% (2010: 3.57%)** | | |
| 16,658,176 | Bank Mandiri | 8,277 | 3.69 |
| 8,780,000 | Semen Gresik (Persero) | 5,776 | 2.57 |
| | | 14,053 | 6.26 |
| | **Italy 3.14% (2010: 0.00%)** | | |
| 2,280,400 | Prada | 7,060 | 3.14 |

## Portfolio statement (continued)

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Korea 17.07% (2010: 8.84%)** | | |
| 560,940 | Cheil Worldwide | 5,739 | 2.56 |
| 208,590 | Hana Tour Service | 4,315 | 1.92 |
| 80,576 | Hyundai Glovis | 9,437 | 4.20 |
| 67,308 | Hyundai Motor | 8,542 | 3.80 |
| 14,609 | Samsung Electronics | 5,202 | 2.32 |
| 204,000 | Shinhan Financial | 5,086 | 2.27 |
| | | 38,321 | 17.07 |
| | **Malaysia 4.26% (2010: 0.90%)** | | |
| 6,395,000 | Airasia | 4,972 | 2.21 |
| 3,028,100 | CIMB Group | 4,598 | 2.05 |
| | | 9,570 | 4.26 |
| | **Singapore 2.86% (2010: 6.23%)** | | |
| 5,834,000 | Banyan Tree | 2,151 | 0.96 |
| 23,384,000 | Genting Hong Kong | 4,274 | 1.90 |
| | | 6,425 | 2.86 |
| | **Taiwan 11.37% (2010: 16.72%)** | | |
| 1,017,634 | Advanced Semiconductor Engineering (ADR) | 2,774 | 1.24 |
| 6,550,973 | Advanced Semiconductor Engineering | 3,649 | 1.62 |
| 3,158,250 | Foxconn Technology | 6,900 | 3.07 |
| 341,379 | HTC | 4,850 | 2.16 |
| 20,675,595 | Yuanta Financial | 7,364 | 3.28 |
| | | 25,537 | 11.37 |
| | **Thailand 4.69% (2010: 4.45%)** | | |
| 1,664,140 | Bangkok Bank | 5,214 | 2.32 |
| 5,635,900 | CP All | 5,308 | 2.37 |
| | | 10,522 | 4.69 |
| | **Investment assets** | **220,973** | **98.42** |
| | Net other assets | 3,547 | 1.58 |
| | **Net assets** | **224,520** | **100.00** |

## Statement of total return for the year ended 31 October 2011

| | Notes | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Net capital (losses)/gains | **2** | | (17,597) | | 31,105 |
| Revenue | **4** | 3,554 | | 3,185 | |
| Expenses | **5** | (2,745) | | (2,272) | |
| Finance costs: Interest | **7** | (3) | | (2) | |
| Net revenue before taxation | | 806 | | 911 | |
| Taxation | **6** | (324) | | (315) | |
| Net revenue after taxation | | | 482 | | 596 |
| **Total return before distributions** | | | **(17,115)** | | **31,701** |
| Finance costs: Distributions | **7** | | (482) | | (597) |
| **Change in net assets attributable to shareholders from investment activities** | | | **(17,597)** | | **31,104** |

## Statement of change in net assets attributable to shareholders for the year ended 31 October 2011

| | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|
| **Opening net assets attributable to shareholders** | | **144,347** | | **126,641** |
| Amounts receivable on issue of shares | 4,562 | | 2,367 | |
| Amounts receivable on mergers* | 116,784 | | - | |
| Amounts payable on cancellation of shares | (24,058) | | (16,361) | |
| | | 97,288 | | (13,994) |
| Stamp duty reserve tax | | - | | (1) |
| Change in net assets attributable to shareholders from investment activities (see above) | | (17,597) | | 31,104 |
| Retained distribution on accumulation shares | | 482 | | 597 |
| **Closing net assets attributable to shareholders** | | **224,520** | | **144,347** |

* Relating to the merger of the Henderson Asia Portfolio Fund on 13 May 2011 & Gartmore Pacific Opportunities Fund on 12 August 2011.

# Balance sheet as at 31 October 2011

| | Notes | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investment assets | | | 220,973 | | 140,831 |
| Debtors | **8** | 90 | | 275 | |
| Cash and bank balances | **9** | 4,981 | | 3,662 | |
| Total other assets | | | 5,071 | | 3,937 |
| **Total assets** | | | 226,044 | | 144,768 |
| **Liabilities** | | | | | |
| Creditors | **10** | 1,505 | | 421 | |
| Bank overdrafts | | 19 | | - | |
| Total other liabilities | | | 1,524 | | 421 |
| **Total liabilities** | | | 1,524 | | 421 |
| **Net assets attributable to shareholders** | | | **224,520** | | **144,347** |

## 1 Accounting policies

The accounting policies are set out in note 1 of the aggregated financial statements on pages 11 to 13.

## 2 Net capital (losses)/gains

Net capital (losses)/gains on investments during the year comprise:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Forward currency contracts | - | 2 |
| Non-derivative securities | (17,425) | 30,952 |
| Other currency (losses)/gains | (162) | 162 |
| Transaction costs | (10) | (11) |
| **Net capital (losses)/gains** | **(17,597)** | **31,105** |

## 3 Portfolio transaction costs

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Purchases in year before transaction costs | 220,442 | 37,019 |
| Commissions | 296 | 123 |
| Taxes | 42 | 15 |
| Total purchase transaction costs* | 338 | 138 |
| **Purchases including transaction costs** | **220,780** | **37,157** |
| Sales in year before transaction costs | 123,117 | 52,547 |
| Commissions | (260) | (114) |
| Taxes | (125) | (61) |
| Total sale transaction costs* | (385) | (175) |
| **Sales net of transaction costs** | **122,732** | **52,372** |
| **Transaction handling charges*** | **10** | **11** |

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

# Notes to the financial statements (continued)

## 4 Revenue

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Bank interest | 12 | 3 |
| Overseas dividends | 3,023 | 2,452 |
| Stock dividends | 498 | 701 |
| Stock lending revenue | 21 | 29 |
| **Total revenue** | **3,554** | **3,185** |

| **Stock lending details** | 2011 £000 | 2010 £000 |
|---|---|---|
| Aggregate value of securities on loan at the year end | 16,068 | 7,176 |

The aggregate value of securities at the year end and during the year subject to stock lending was fully secured. All collateral held was in the form of securities. The aggregate value of collateral at the year end was £17,227,188 (2010: £7,845,378).

## 5 Expenses

| | 2011 £000 | 2010 £000 |
|---|---|---|
| **Payable to the ACD, associates of the ACD and agents of either of them:** | | |
| ACD's periodic charge | 2,324 | 1,934 |
| General administration charge* | 350 | 239 |
| Sub registration fees | - | 7 |
| | 2,674 | 2,180 |
| **Payable to the Depositary, associates of the Depositary and agents of either of them:** | | |
| Depositary fees | 20 | 15 |
| Safe custody fees | 68 | 56 |
| | 88 | 71 |
| **Other expenses:** | | |
| Professional fees | 7 | - |
| Audit fees | - | 3 |
| Listing fees | - | 5 |
| Printing and postage fees | - | 4 |
| Prior year over accrual | (20) | - |
| Registration fees | - | 9 |
| VAT refund | (4) | - |
| | (17) | 21 |
| **Total expenses** | **2,745** | **2,272** |

Irrecoverable VAT is included in the above expenses where relevant.

* The current audit fee is £9,240, (2010: £9,086). The audit fee levied through the GAC charge is £9,240 (2010: £7,404).

## 6 Taxation

### (a) Analysis of charge in year

The tax charge comprises:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Overseas tax reclaims | (5) | - |
| Overseas withholding tax | 329 | 315 |
| **Total current tax (note 6b)** | 324 | 315 |
| **Total taxation** | **324** | **315** |

### (b) Factors affecting current tax charge for year

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

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Net revenue before taxation | 806 | 911 |
| Corporation tax at 20% (2010: 20%) | 161 | 182 |
| Effects of: | | |
| Irrecoverable overseas tax | 325 | 315 |
| Non-taxable overseas dividends ** | (591) | (490) |
| Stock dividends* | (100) | (140) |
| Unused management expenses | 529 | 448 |
| **Current tax charge for the year (note 6a)** | **324** | **315** |

* As an OEIC this item is not subject to corporation tax.

** Overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009. 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 (2010: 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 £1,016,404 (2010: £516,234) 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.

## 7 Finance costs

**Distributions and interest**

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Final accumulation | 482 | 597 |
| | 482 | 597 |
| Finance costs: Distributions | 482 | 597 |
| Finance costs: Interest | 3 | 2 |
| **Total finance cost** | **485** | **599** |

Details of the distribution per share are set out in the distribution table on page 36.

## 8 Debtors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Accrued revenue | 1 | 81 |
| Amounts receivable for issue of shares | 1 | 194 |
| Amounts receivable on merger | 83 | - |
| Overseas withholding tax reclaimable | 5 | - |
| **Total debtors** | **90** | **275** |

## 9 Cash and bank balances

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Cash and bank balances | 4,981 | 3,662 |
| **Total cash and bank balances** | **4,981** | **3,662** |

## 10 Creditors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Accrued ACD's periodic charge | 252 | 176 |
| Accrued Depositary's fees | 2 | 1 |
| Accrued other expenses | 46 | 80 |
| Amounts payable for cancellation of shares | 345 | 164 |
| Purchases awaiting settlement | 860 | - |
| **Total creditors** | **1,505** | **421** |

## 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

## 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 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 28 and 29 and notes 5, 8 and 10 on pages 31 to 33 including all creations and cancellations where the ACD acted as principal.

Skandia Life Assurance Company Ltd, as a material Shareholder, is a related party holding shares comprising 12.6% ( 2010:18.36%) of the total assets of the Funds as at 31 October 2011.

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

## 13 Shareholder funds

The Fund currently has 4 share classes; Class A (Retail with front-end charges), Class I (Institutional), Class Z (Institutional) and Class P (Institutional). The annual management charge on each share class is as follows:

| | |
|---|---|
| Class A | 1.50% |
| Class I | 1.00% |
| Class Z | 0.00%* |
| Class P | 0.50% |

* Charges for managing Z class shares are levied outside the Fund and are agreed between the ACD and investors.

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 23. The distribution per share class is given in the distribution table on page 36. All share classes have the same rights on winding up.

## 14 Risk

Risks and policies in respect of financial assets and liabilities are set out in note 2 of the aggregated financial statements on pages 13-14.

### Currency risk

Net currency monetary assets and liabilities consist of:

| Currency | Investment assets including investment liabilities £000 | Net other assets /(liabilities) £000 | Net assets £000 |
|---|---|---|---|
| **2011** | | | |
| Hong Kong dollar | 90,057 | - | 90,057 |
| Indonesian rupiah | 14,053 | 5 | 14,058 |
| Korean won | 38,321 | - | 38,321 |
| Malaysian ringgit | 9,570 | (860) | 8,710 |
| Singapore dollar | 2,151 | - | 2,151 |
| Taiwan dollar | 22,764 | 779 | 23,543 |
| Thai baht | 10,522 | - | 10,522 |
| UK sterling | - | 3,642 | 3,642 |
| US dollar | 33,535 | (19) | 33,516 |
| **Total** | **220,973** | **3,547** | **224,520** |

| Currency | Investment assets including investment liabilities £000 | Net other assets /(liabilities) £000 | Net assets £000 |
|---|---|---|---|
| **2010** | | | |
| Hong Kong dollar | 58,043 | 81 | 58,124 |
| Indonesian rupiah | 5,160 | - | 5,160 |
| Korean won | 12,761 | - | 12,761 |
| Malaysian ringgit | 1,300 | - | 1,300 |
| Singapore dollar | 8,995 | - | 8,995 |
| Taiwan dollar | 24,139 | 3,108 | 27,247 |
| Thai baht | 6,424 | - | 6,424 |
| UK sterling | - | 327 | 327 |
| US dollar | 24,009 | - | 24,009 |
| **Total** | **140,831** | **3,516** | **144,347** |

### Interest rate risk profile of financial assets and financial liabilities

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

Interest earned and paid on bank balances during the year was at a variable rate. The interest rates on sterling bank accounts at the end of the year were 0.29% on credit balances (2010: 0.20%) and 1.79% on overdraft balances (2010: 1.70%).

### Sensitivity analysis

In the opinion of the ACD, the use of derivative instruments within the Fund does not have a significant effect on the Fund's operations and as such a sensitivity analysis is not deemed appropriate.

# Distribution table for the year ended 31 October 2011 (in pence per share)

## Final dividend distribution (xd date 31 October 2011, paid on 30 December 2011)

| | Net revenue | Distribution paid 30/12/2011 | Distribution paid 31/12/2010 |
|---|---|---|---|
| **Class A accumulation** | 0.8304 | 0.8304 | 2.0581 |
| **Class I accumulation** | 4.3253 | 4.3253 | 7.7656 |
| **Class Z accumulation** | 13.4219 | 13.4219 | 17.5537 |
| **Class P accumulation*** | 1.9179 | 1.9179 | n/a |

*P share class launched on 12 August 2011.

# Manager's report

## Fund Manager

Claire Seanor

## Investment objective and policy

To aim to provide capital growth by investing in emerging market companies. These companies will either be incorporated in emerging markets or, if incorporated elsewhere, derive a majority of their revenue from, or from activities related to, emerging markets. For the avoidance of doubt the Fund may also invest in securities of other investment vehicles whose objectives are compatible with that of the Fund.

## Performance summary

Over the year the Fund fell by 8.4% compared to a fall of 8.6% in the MSCI Emerging Markets (net dividend) Index, using like-for-like GAV closing prices.

**Discrete annual performance**

| | 1 Nov 10-31 Oct 11 % | 1 Nov 09-31 Oct 10 % | 1 Nov 08-31 Oct 09 % | 1 Nov 07-31 Oct 08 % | 1 Nov 06-31 Oct 07 % |
|---|---|---|---|---|---|
| **Henderson Emerging Markets Fund*** | (8.4) | 26.4 | 57.9 | (41.8) | 51.0 |
| **Henderson Emerging Markets Fund**** | (7.7) | 21.9 | 59.6 | (43.1) | 48.1 |
| **MSCI Emerging (net dividend) Index** | (8.6) | 27.4 | 60.9 | (43.9) | 54.1 |

* Source for closing prices GAV – Henderson Global Investors, MSCI Emerging market (net dividends) Index 31.10.10 to 31.10.11 – GBP - MSCI.
** Source for midday prices: Morningstar, mid-mid (excluding initial charge), net income reinvested, basic rate taxpayer, 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 income 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 October 2011

| **Purchases** | **£000** | **Sales** | **£000** |
|---|---|---|---|
| Telefonos De Mexico 'L' | 213 | Ishare MSCI Taiwan | 1,495 |
| Mail Ru | 206 | Samsung Electronics | 712 |
| Ishare MSCI Taiwan | 197 | Petroleo Brasileiro Preference | 646 |
| Powszechny Zaklad Ubezpieczen | 197 | Cia De Bebidas Preference | 562 |
| Bank Leumi Le-Israel | 196 | Vale Rio Doce Preference 'A' | 542 |
| Vodacom | 162 | China Mobile | 457 |
| Evraz | 138 | Tencent | 456 |
| Israel Corporation | 137 | Powszechny Zaklad Ubezpieczen | 400 |
| All America Latina Logistica | 118 | CNOOC | 398 |
| Grupo Aeromexico | 108 | America Movil ADR | 380 |

## Manager's comments

The twelve months to 31 October 2011 was characterised by considerable volatility in financial markets. The period began on a reasonably strong note buoyed by the US Federal Reserve's second round of quantitative easing. There was however, some concern that rather than primarily assisting the domestic US economy, the additional liquidity would merely flow towards emerging markets, causing inflated asset and commodity prices. Fears of overheating prompted China to raise interest rates in December, a move that appeared justified when the country reported stronger-than-expected economic growth of 9.8% annualised for the final quarter of 2010. Other emerging markets including India and Brazil also tightened monetary policy early in the period in an effort to quell inflation.

Unrest in North Africa and the Middle East in the early part of 2011 caused a spike in the oil price and led to investors reassessing country and political risk. For a while trading on the stock exchange in Egypt was suspended. The earthquake in Japan in March also led to fears that supply chains would be disrupted and, together, these events raised concerns that global growth could be hampered, with negative knock-on effects for emerging markets. Against this background, emerging market equities struggled and remained range bound for most of the spring and early summer period.

Events took a turn for the worse in late summer as concerns emanating from developed markets – the squabbling over the US debt ceiling and subsequent rating downgrade, softer economic data and the escalating eurozone sovereign debt crisis – caused investors to recoil from equities in general. Growing fears that there may be a double-dip recession hurt emerging markets given their sensitivity to global growth, with falling commodity prices weighing heavily on Russia and Brazil. Such was the fear that this could precipitate a slowdown that Brazil began to cut its benchmark Selic rate to reinvigorate the economy. In the final month of the period under review, the markets staged a sharp recovery, having arguably reached oversold levels, but it was insufficient to fully reverse the falls of late summer.

Korea was the best performing of the major markets, with the MSCI Korea index rising by 5.24%. Supply chain disruption from the Japan earthquake was less severe than feared and the share price of Samsung Electronics rose by nearly a third over the period. China as a market underperformed, weighed down by concerns about inflation and monetary tightening, although the fund benefited from a small underweight position towards the country.

The Fund benefited from its positioning in Russia, with the portfolio's holdings of American Depository Shares in Russian companies rather than the local listed shares contributing positively to performance. For much of the period Russia was a beneficiary of the high oil price, although the market tailed off in the second half as the oil price slid on worries about the strength of global growth.

Detractors to performance included Mexico, Taiwan and Brazil. Within Mexico, the fund missed out on strong performance in Grupo Elektra, the retail and banking group, which benefited from relatively low unemployment in Mexico. In Taiwan, the underweight position in Taiwan Semiconductor Manufacturing, which performed well on strong demand for technology components, also detracted. Brazil was weak, with the MSCI Brazil declining 13.4% over the period. This reflected the slowdown in the country's economy, which was vulnerable to both the deceleration in global growth and the tight domestic monetary policy for much of the period.

The worst performing emerging market was Hungary, with the MSCI Hungary down 34.40%. This reflected the country's difficulties as it tries to tackle its debt burden as well as international disapproval of some of the political moves within the country. During the period Hungary's currency, the forint, fell sharply against sterling and other key currencies over concerns about central bank independence.

The period closed with emerging markets having underperformed developed markets in aggregate, despite the strong earnings growth among emerging market companies. This has left emerging market equities relatively inexpensive in valuation terms and the stage could be set for stronger emerging market performance if investor sentiment turns less risk averse.

Claire Seanor
5 January 2012

# Comparative tables as at 31 October 2011

## 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 X accumulation** | | | | |
| 31/10/2009* | 93,252,049 | 97,035 | 46,660 | 207.96 |
| **Class A accumulation** | | | | |
| 31/10/2009 | 93,252,049 | 2,903,085 | 1,342,971 | 216.17 |
| 31/10/2010 | 89,228,745 | 4,074,667 | 1,517,140 | 268.58 |
| 31/10/2011 | 59,776,597 | 4,059,496 | 1,680,518 | 241.56 |
| **Class I accumulation** | | | | |
| 31/10/2009 | 93,252,049 | 18,199,513 | 8,114,820 | 224.27 |
| 31/10/2010 | 89,228,745 | 15,303,071 | 5,454,954 | 280.54 |
| 31/10/2011 | 59,776,597 | 10,536,958 | 4,146,498 | 254.12 |
| **Class Z accumulation** | | | | |
| 31/10/2009 | 93,252,049 | 72,052,416 | 30,346,037 | 237.44 |
| 31/10/2010 | 89,228,745 | 69,851,007 | 23,285,731 | 299.97 |
| 31/10/2011 | 59,776,597 | 45,180,143 | 16,459,493 | 274.49 |

* X share class merged with A share class 11 January 2010.

## Performance record

| Calendar year | Net revenue (pence per share) | Highest price (pence per share) | Lowest price (pence per share) |
|---|---|---|---|
| **Class X accumulation** | | | |
| 2006 | 1.26 | 175.60 | 133.70 |
| 2007 | 0.59 | 237.00 | 165.20 |
| 2008 | 1.18 | 234.00 | 109.30 |
| 2009 | 1.43 | 231.50 | 126.50 |
| 2010** | - | 239.60 | 229.70 |
| **Class A accumulation** | | | |
| 2006 | 1.66 | 180.10 | 137.20 |
| 2007 | 1.37 | 244.40 | 169.90 |
| 2008 | 1.87 | 241.80 | 113.20 |
| 2009 | 1.99 | 240.80 | 131.10 |
| 2010 | 1.27 | 288.10 | 223.60 |
| 2011 | 1.99* | 291.90+ | 211.70+ |
| **Class I accumulation** | | | |
| 2006 | 2.43 | 184.20 | 140.40 |
| 2007 | 2.19 | 251.60 | 174.50 |
| 2008 | 3.45 | 249.40 | 117.00 |
| 2009 | 3.96 | 250.10 | 135.70 |
| 2010 | 3.49 | 303.30 | 232.30 |
| 2011 | 4.08* | 305.30+ | 222.60+ |
| **Class Z accumulation** | | | |
| 2006 | 6.81 | 189.70 | 144.70 |
| 2007 | 1.61 | 262.00 | 181.50 |
| 2008 | 6.68 | 261.00 | 122.80 |
| 2009 | 4.79 | 265.20 | 142.90 |
| 2010 | 6.05 | 324.80 | 246.60 |
| 2011 | 8.96* | 327.10+ | 240.40+ |

* to 30 December
\+ to 31 October

** X share class merged with A share class on 11 January 2010.

# Total expense ratio

The annualised total expense ratio (TER) of the Fund, based on the total expenses included within the financial statements for the year as indicated below:

| | 2011<br>% | 2010<br>% |
|---|---|---|
| **Class A** | 1.81 | 1.77 |
| **Class I** | 1.09 | 1.09 |
| **Class Z** | 0.09 | 0.09 |

The TER of the Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.

# Portfolio statement as at 31 October 2011

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Equities 94.21% (2010: 94.72%)** | | |
| | **Brazil 15.23% (2010: 16.02%)** | | |
| 37,920 | All America Latina Logistica | 119 | 0.20 |
| 89,759 | Banco Bredesco Preference | 1,019 | 1.70 |
| 92,183 | Banco Itau Financeira Preference | 1,104 | 1.85 |
| 45,441 | Cia De Bebidas Preference | 953 | 1.59 |
| 58,400 | Cia Siderurgica Nacional | 340 | 0.57 |
| 54,400 | Electrobras Centrais | 338 | 0.56 |
| 74,655 | Embraer-Empresa Bras De Aeronautica | 323 | 0.54 |
| 60,133 | Gerdau Preference | 340 | 0.57 |
| 148,360 | Itausa Investimentos Preference | 583 | 0.98 |
| 232,299 | Petroleo Brasileiro Preference | 1,811 | 3.03 |
| 30,416 | Telenorte Leste ADR | 204 | 0.34 |
| 41,226 | Usinas Sider Minas Preference | 178 | 0.30 |
| 60,014 | Vale Rio Doce | 957 | 1.60 |
| 55,856 | Vale Rio Doce Preference 'A' | 834 | 1.40 |
| | | 9,103 | 15.23 |
| | **Chile 1.74% (2010: 1.97%)** | | |
| 19,735 | Embotella Andina ADR 'B' | 348 | 0.58 |
| 29,296 | Enersis ADR | 356 | 0.60 |
| 21,704 | Lan Airlines ADR | 337 | 0.56 |
| | | 1,041 | 1.74 |
| | **China 16.54% (2010: 16.96%)** | | |
| 608,921 | Aluminum Corporation of China 'H' | 210 | 0.35 |
| 2,188,100 | Bank of China 'H' | 491 | 0.82 |
| 418,316 | Bank of Communications Hong Kong Branch 'H' | 181 | 0.30 |
| 534,000 | Beijing Capital International Airport 'H' | 149 | 0.25 |
| 372,000 | China Communications Construction 'H' | 177 | 0.30 |
| 1,787,790 | China Construction | 827 | 1.38 |
| 162,500 | China Cosco 'H' | 54 | 0.09 |
| 275,520 | China Life Insurance | 454 | 0.76 |
| 152,489 | China Merchant | 295 | 0.49 |
| 199,394 | China Mobile | 1,188 | 1.99 |
| 760,650 | China Petroleum & Chemical 'H' | 451 | 0.75 |
| 167,704 | China Shenhua Energy 'H' | 484 | 0.81 |
| 393,977 | China South Locomotive And Rolling Stock | 148 | 0.25 |
| 1,070,516 | China Telecom 'H' | 415 | 0.69 |
| 171,000 | Citic Pacific | 195 | 0.33 |
| 682,901 | CNOOC | 829 | 1.39 |
| 216,400 | Guangzhou R&F Properties | 132 | 0.22 |
| 2,273,415 | Industrial & Commercial Bank of China 'H' | 894 | 1.50 |
| 91,000 | Kingboard Chemicals | 194 | 0.32 |
| 9,100 | Kingboard Chemicals Warrant | 1 | - |
| 868,235 | Petrochina 'H' | 709 | 1.19 |
| 97,000 | Ping An Insurance 'H' | 454 | 0.76 |
| 173,500 | Shimao Property | 107 | 0.18 |

# Portfolio statement (continued)

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **China** (continued) | | |
| 49,000 | Tencent | 712 | 1.19 |
| 516,000 | Zijin Mining 'H' | 138 | 0.23 |
| | | 9,889 | 16.54 |
| | **Czech Republic 0.65% (2010: 0.60%)** | | |
| 14,640 | Cez | 386 | 0.65 |
| | **Egypt 0.65% (2010: 0.66%)** | | |
| 11,301 | Orascom Construction GDR | 286 | 0.48 |
| 290,711 | Orascom Telecom | 100 | 0.17 |
| | | 386 | 0.65 |
| | **Hong Kong 0.93% (2010: 1.01%)** | | |
| 295,840 | China Overseas Land & Investment | 346 | 0.58 |
| 276,160 | Dah Chong Hong | 212 | 0.35 |
| | | 558 | 0.93 |
| | **Hungary 0.12% (2010: 0.36%)** | | |
| 14,381 | OTP Bank GDR | 73 | 0.12 |
| | **India 7.63% (2010: 8.33%)** | | |
| 20,068 | Axis Bank GDR | 291 | 0.49 |
| 27,250 | Bajaj Auto GDR | 269 | 0.45 |
| 17,856 | Dr Reddys Laboratories ADS | 367 | 0.61 |
| 31,060 | HDFC Bank ADS | 610 | 1.02 |
| 21,261 | ICICI Bank ADR | 490 | 0.82 |
| 21,884 | Infosys Technologies ADR | 794 | 1.33 |
| 190,624 | ITC GDR | 496 | 0.83 |
| 19,647 | Reliance Capital GDR | 92 | 0.16 |
| 64,140 | Reliance Communication GDS | 65 | 0.11 |
| 29,736 | Reliance Industries GDS | 664 | 1.11 |
| 28,125 | Tata Motors ADR | 349 | 0.58 |
| 5,076 | Ultratech Cement | 74 | 0.12 |
| | | 4,561 | 7.63 |
| | **Indonesia 2.87% (2010: 2.30%)** | | |
| 1,742,500 | Bumi Resources | 287 | 0.48 |
| 184,962 | PT Astra International | 889 | 1.49 |
| 1,043,335 | Telekomunikasi Indonesia 'B' | 540 | 0.90 |
| | | 1,716 | 2.87 |
| | **Israel 0.00% (2010: 0.09%)** | | |

# Portfolio statement (continued)

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Korea 15.22% (2010: 13.09%)** | | |
| 3,949 | Cheil Industries | 219 | 0.37 |
| 2,731 | Daelim Industrial | 149 | 0.25 |
| 23,742 | Daewoo Engineering & Construction | 137 | 0.23 |
| 8,320 | Daewoo Shipbuilding & Marine | 130 | 0.22 |
| 1,290 | E-Mart | 208 | 0.35 |
| 3,470 | GS Engineering & Construction | 191 | 0.32 |
| 9,880 | Hana Financial | 223 | 0.37 |
| 25,430 | Hynix Semiconductor | 325 | 0.54 |
| 4,221 | Hyundai Development | 55 | 0.09 |
| 1,700 | Hyundai Heavy Industries | 287 | 0.48 |
| 7,112 | Hyundai Motor | 902 | 1.51 |
| 3,791 | Hyundai Steel | 217 | 0.36 |
| 11,470 | Korea Electric Power | 161 | 0.27 |
| 6,659 | KT&G | 259 | 0.43 |
| 13,243 | LG Display | 169 | 0.28 |
| 5,354 | LG Electronics | 224 | 0.37 |
| 1,321 | NCsoft | 260 | 0.43 |
| 2,577 | NHN | 333 | 0.56 |
| 2,068 | POSCO | 450 | 0.75 |
| 7,328 | Samsung C & T | 285 | 0.48 |
| 3,389 | Samsung Electronics | 1,834 | 3.07 |
| 2,304 | Samsung Engineering | 296 | 0.50 |
| 1,951 | Samsung Fire & Marine | 260 | 0.43 |
| 10,767 | Samsung Heavy Industries | 209 | 0.35 |
| 5,108 | Samsung Securities | 167 | 0.28 |
| 611 | Samsung Securities Rights Issue | 4 | 0.01 |
| 2,630 | Samsung Techwin | 89 | 0.15 |
| 12,410 | Shinhan Financial | 309 | 0.52 |
| 1,031 | Shinsegae | 162 | 0.27 |
| 2,365 | SK | 199 | 0.33 |
| 3,275 | SK Energy | 311 | 0.52 |
| 925 | SK Telecom | 76 | 0.13 |
| | | 9,100 | 15.22 |
| | **Malaysia 2.96% (2010: 2.75%)** | | |
| 458,414 | Berjaya Sports Toto | 394 | 0.66 |
| 242,100 | MISC Berhad | 339 | 0.57 |
| 19,915 | Public Bank Berhad | 51 | 0.09 |
| 224,800 | Public Bank Berhad (Alien Mkt) | 576 | 0.95 |
| 635,300 | Star Publications | 412 | 0.69 |
| | | 1,772 | 2.96 |

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Mexico 4.74% (2010: 4.66%)** | | |
| 65,584 | America Movil ADR | 1,032 | 1.73 |
| 399,827 | Cemex | 110 | 0.18 |
| 242,277 | Grupo Mexico 'B' | 421 | 0.70 |
| 25,043 | Grupo Televisa ADR | 331 | 0.55 |
| 618,768 | Telefonos De Mexico 'L' | 304 | 0.51 |
| 394,908 | Wal-Mart De Mexico 'V' | 639 | 1.07 |
| | | 2,837 | 4.74 |
| | **Peru 0.81% (2010: 0.86%)** | | |
| 7,184 | Credicorp | 485 | 0.81 |
| | **Poland 1.45% (2010: 1.63%)** | | |
| 8,251 | Bank Pekao | 242 | 0.40 |
| 46,962 | Powszechna Kasa Oszczednosci Bank Polski | 338 | 0.57 |
| 4,258 | Powszechny Zaklad Ubezpieczen | 285 | 0.48 |
| | | 865 | 1.45 |
| | **Russia 6.77% (2010: 5.68%)** | | |
| 77,172 | Gazprom ADR | 554 | 0.93 |
| 89,562 | Gazprom OAO ADS | 647 | 1.08 |
| 40,052 | JSC MMC Norilsk Nickel ADR | 478 | 0.80 |
| 16,384 | Lukoil ADR | 591 | 0.99 |
| 14,950 | Magnit | 236 | 0.40 |
| 24,470 | Mobile Telesystems ADR | 217 | 0.36 |
| 76,688 | Rosneft OAO GDR | 338 | 0.57 |
| 34,918 | Surgutneftegaz ADR | 187 | 0.31 |
| 11,680 | Tatneft GDR | 215 | 0.36 |
| 15,837 | Uralkali GDR | 426 | 0.71 |
| 52,276 | VTB Bank GDR | 156 | 0.26 |
| | | 4,045 | 6.77 |
| | **South Africa 7.98% (2010: 7.59%)** | | |
| 2,896 | Anglo Platinum | 130 | 0.22 |
| 18,520 | Anglogold Ashanti | 521 | 0.87 |
| 39,056 | Aveng | 114 | 0.19 |
| 26,881 | Gold Fields | 289 | 0.48 |
| 20,576 | Impala Platinum | 293 | 0.49 |
| 25,093 | Imperial | 231 | 0.39 |
| 71,371 | MTN | 776 | 1.30 |
| 18,885 | Naspers 'N' | 563 | 0.94 |
| 46,014 | Pretoria Portland Cement | 86 | 0.14 |
| 57,341 | Reunert | 283 | 0.47 |
| 22,965 | SASOL | 645 | 1.08 |
| 40,285 | Standard Bank | 309 | 0.52 |
| 25,291 | Telekom | 61 | 0.10 |
| 66,254 | Vodacom | 467 | 0.78 |
| | | 4,768 | 7.98 |

# Portfolio statement (continued)

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Taiwan 4.80% (2010: 6.25%)** | | |
| 17,414 | Delta Electronic | 26 | 0.05 |
| 145,291 | iShares MSCI Taiwan | 2,839 | 4.75 |
| 255 | Mediatek | 2 | - |
| 198 | Quanta Computers* | - | - |
| 803 | Young Fast Optoelectronics | 1 | - |
| | | 2,868 | 4.80 |
| | **Thailand 1.65% (2010: 1.30%)** | | |
| 168,719 | Bangkok Bank | 529 | 0.89 |
| 73,800 | PTT | 455 | 0.76 |
| | | 984 | 1.65 |
| | **Turkey 1.47% (2010: 2.03%)** | | |
| 164,082 | Eregli Demir Celik 'A' | 211 | 0.35 |
| 128,399 | KOC | 284 | 0.48 |
| 110,671 | Turkiye Garanti Bankasi | 242 | 0.40 |
| 98,785 | Turkiye Is Bankasi 'C' | 143 | 0.24 |
| | | 880 | 1.47 |
| | **United States 0.00% (2010: 0.58%)** | | |
| | **Derivatives 0.03% (2010: 0.01%)** | | |
| | **Futures 0.03% (2010: 0.01%)** | | |
| 196 | SGX MSCI Taiwan Index November 2011 | 17 | 0.03 |
| | **Investment assets** | **56,334** | **94.24** |
| | Net other assets | 3,443 | 5.76 |
| | **Net assets** | **59,777** | **100.00** |

* Market value less than £500.

## Statement of total return for the year ended 31 October 2011

| | Notes | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Net capital (losses)/gains | 2 | | (7,740) | | 18,491 |
| Revenue | 4 | 2,086 | | 2,114 | |
| Expenses | 5 | (239) | | (303) | |
| Finance costs: Interest | 7 | (1) | | (1) | |
| Net revenue before taxation | | 1,846 | | 1,810 | |
| Taxation | 6 | (214) | | (191) | |
| Net revenue after taxation | | | 1,632 | | 1,619 |
| **Total return before distributions** | | | (6,108) | | 20,110 |
| Finance costs: Distributions | 7 | | (1,677) | | (1,619) |
| **Change in net assets attributable to shareholders from investment activities** | | | **(7,785)** | | **18,491** |

## Statement of change in net assets attributable to shareholders for the year ended 31 October 2011

| | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|
| **Opening net assets attributable to shareholders** | | **89,229** | | **93,252** |
| Amounts receivable on issue of shares | 6,492 | | 13,212 | |
| Amounts payable on cancellation of shares | (29,837) | | (37,440) | |
| | | (23,345) | | (24,228) |
| Dilution adjustment | | - | | 96 |
| Stamp duty reserve tax | | 1 | | (1) |
| Change in net assets attributable to shareholders from investment activities (see above) | | (7,785) | | 18,491 |
| Retained distribution on accumulation shares | | 1,677 | | 1,619 |
| **Closing net assets attributable to shareholders** | | **59,777** | | **89,229** |

# Balance sheet as at 31 October 2011

| | Notes | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investment assets | | | 56,334 | | 84,523 |
| Debtors | **8** | 121 | | 542 | |
| Cash and bank balances | **9** | 4,846 | | 5,613 | |
| Total other assets | | | 4,967 | | 6,155 |
| **Total assets** | | | 61,301 | | 90,678 |
| **Liabilities** | | | | | |
| Creditors | **10** | 66 | | 196 | |
| Bank overdrafts | | 1,458 | | 1,253 | |
| Total other liabilities | | | 1,524 | | 1,449 |
| **Total liabilities** | | | 1,524 | | 1,449 |
| **Net assets attributable to shareholders** | | | **59,777** | | **89,229** |

## 1 Accounting policies

The accounting policies are set out in note 1 of the aggregated financial statements on pages 11 to 13.

## 2 Net capital (losses)/gains

Net capital (losses)/gains on investments during the year comprise:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Derivative contracts | (201) | 705 |
| Forward currency contracts | 45 | - |
| Non-derivative securities | (7,553) | 17,891 |
| Other currency losses | (6) | (38) |
| Transaction costs | (25) | (67) |
| **Net capital (losses)/gains** | **(7,740)** | **18,491** |

## 3 Portfolio transaction costs

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Purchases in year before transaction costs | 3,786 | 12,276 |
| Commissions | 3 | 7 |
| Taxes | 1 | 4 |
| Total purchase transaction costs* | 4 | 11 |
| **Purchases including transaction costs** | **3,790** | **12,287** |
| Sales in year before transaction costs | 24,268 | 35,043 |
| Commissions | (9) | (23) |
| Other costs | (9) | - |
| Taxes | (11) | (11) |
| Total sale transaction costs* | (29) | (34) |
| **Sales net of transaction costs** | 24,239 | 35,009 |
| **Transaction handling charges*** | 25 | 67 |

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

## 4 Revenue

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Bank interest | 28 | 8 |
| Interest on margin | 4 | - |
| Overseas dividends | 2,029 | 2,073 |
| Stock dividends | - | 19 |
| Stock lending revenue | 25 | 14 |
| **Total revenue** | **2,086** | **2,114** |

## 4 Revenue (continued)

| **Stock lending details** | **2011 £000** | **2010 £000** |
|---|---|---|
| Aggregate value of securities on loan at the year end | 1,535 | 4,132 |

The aggregate value of securities at the year end and during the year subject to stock lending was fully secured.
All collateral held was in the form of securities. The aggregate value of collateral at the year end was £1,643,398 (2010: £4,354,461).

## 5 Expenses

| | **2011 £000** | **2010 £000** |
|---|---|---|
| **Payable to the ACD, associates of the ACD and agents of either of them:** | | |
| ACD's periodic charge | 180 | 220 |
| General administration charge* | 25 | 20 |
| Sub registration fees | - | 1 |
| | 205 | 241 |
| **Payable to the Depositary, associates of the Depositary and agents of either of them:** | | |
| Depositary fees | 9 | 10 |
| Safe custody fees | 35 | 37 |
| | 44 | 47 |
| **Other expenses:** | | |
| Professional fees | 2 | - |
| Dividend collection charges | 11 | 10 |
| Prior year over accrual | (23) | - |
| Audit fees | - | 2 |
| Printing and postage fees | - | 3 |
| | (10) | 15 |
| **Total expenses** | **239** | **303** |

Irrecoverable VAT is included in the above expenses where relevant.
* The current audit fee is £9,240 (2010:£9,086). The audit fee levied through the GAC charge is £9,240 (2010:£7,291).

## 6 Taxation

### (a) Analysis of charge in the year

The tax charge comprises:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| UK corporation tax | 56 | 32 |
| Double tax relief | (56) | (32) |
| Overseas tax reclaims | 172 | (2) |
| Overseas withholding tax | (3) | 193 |
| | **169** | **191** |
| Irrecoverable capital tax | 45 | - |
| **Total current tax (note 6b)** | **214** | **191** |

### (b) Factors affecting tax charge for the year

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

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Net revenue before taxation | 1,846 | 1,810 |
| Corporation tax at 20% (2010: 20%) | 369 | 362 |
| Effects of: | | |
| Irrecoverable capital tax | 45 | - |
| Irrecoverable overseas tax | 113 | 159 |
| Non-Taxable overseas dividends ** | (312) | (326) |
| Stock dividends* | (1) | (4) |
| **Current tax charge for the year (note 6a)** | **214** | **191** |

* As an OEIC this item is not subject to corporation tax.
** Overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.
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 (2010: nil).

### (d) Factors that may affect future tax charges

There were no factors that may affect future tax charges at the current or prior accounting year end.

## 7 Finance costs

**Distributions and interest**

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Final accumulation | 1,677 | 1,619 |
| | 1,677 | 1,619 |
| Finance costs: Distributions | 1,677 | 1,619 |
| Finance costs: Interest | 1 | 1 |
| **Total finance cost** | **1,678** | **1,620** |

Details of the distribution per share are set out in the distribution table on page 55.

## 8 Debtors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Accrued revenue | 102 | 225 |
| Amounts receivable for issue of shares | 15 | 13 |
| Overseas withholding tax reclaimable | 4 | 2 |
| Sales awaiting settlement | - | 302 |
| **Total debtors** | **121** | **542** |

## 9 Cash and bank balances

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Amounts held at futures clearing houses and brokers | 309 | 270 |
| Cash and bank balances | 4,537 | 5,343 |
| **Total cash and bank balances** | **4,846** | **5,613** |

## 10 Creditors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Accrued ACD's periodic charge | 13 | 18 |
| Accrued Depositary's fees | 1 | 1 |
| Accrued other expenses | 7 | 33 |
| Amounts payable for cancellation of shares | 45 | 81 |
| Purchases awaiting settlement | - | 63 |
| **Total creditors** | **66** | **196** |

### 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

### 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 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 47 and 48 and notes 5, 8and 10 on pages 50 to 52 including all creations and cancellations where the ACD acted as principal.

Related parties, such as other authorised Funds managed by Henderson Investment Funds Limited, may hold shares in the Fund via a nominee company, Harewood Nominees Limited. Harewood Nominees Limited holds shares comprising 17.55% (2010: 15.24%) of the total net assets of the Fund as at 31 October 2011.

State Street Nominees Limited, as a material shareholder, is a related party holding shares comprising 73.23% (2010: 75.61%) of the total net assets of the Fund as at 31 October 2011.

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.

### 13 Shareholder funds

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

| | |
|---|---|
| Class A | 1.50% |
| Class I | 1.00% |
| Class Z | 0.00%* |

* Charges for managing Z class shares are levied outside the Fund and are agreed between the ACD and investors.

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 39. The distribution per share class is given in the distribution table on page 55. All share classes have the same rights on winding up.

## 14 Risk

Risks and policies in respect of financial assets and liabilities are set out in note 2 of the aggregated financial statements on pages 13-14.

### Currency risk

Net currency monetary assets and liabilities consist of:

| Currency | Investment assets including investment liabilities £000 | Net other assets/ (liabilities) £000 | Net assets £000 |
|---|---|---|---|
| **2011** | | | |
| Brazilian real | 8,899 | 83 | 8,982 |
| Hong Kong dollar | 10,447 | 155 | 10,602 |
| Indonesian rupiah | 1,715 | 11 | 1,726 |
| Korean won | 9,100 | - | 9,100 |
| Malaysian ringgit | 1,772 | | 1,772 |
| Mexican peso | 1,474 | 262 | 1,736 |
| South African rand | 4,768 | 196 | 4,964 |
| Thai baht | 984 | | 984 |
| UK sterling | 2,839 | 2 | 2,841 |
| US dollar | 12,077 | 2,070 | 14,147 |
| Other | 2,259 | 664 | 2,923 |
| **Total** | **56,334** | **3,443** | **59,777** |

| Currency | Investment assets including investment liabilities £000 | Net other assets/ (liabilities) £000 | Net assets £000 |
|---|---|---|---|
| **2010** | | | |
| Brazilian real | 14,005 | 139 | 14,144 |
| Hong Kong dollar | 16,026 | 165 | 16,191 |
| Indonesian rupiah | 2,051 | 8 | 2,059 |
| Korean won | 11,678 | - | 11,678 |
| Malaysian ringgit | 2,459 | - | 2,459 |
| Mexican peso | 2,144 | 302 | 2,446 |
| South African rand | 6,776 | 29 | 6,805 |
| UK sterling | 4,305 | 263 | 4,568 |
| US dollar | 18,734 | 2,570 | 21,304 |
| Other | 6,345 | 1,230 | 7,575 |
| **Total** | **84,523** | **4,706** | **89,229** |

### Interest rate risk profile of financial assets and financial liabilities

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

Interest earned and paid on bank balances during the year was at a variable rate. The interest rates on sterling bank accounts at the end of the year were 0.29% on credit balances (2010: 0.20%) and 1.79% on overdraft balances (2010: 1.70%).

### Sensitivity analysis

In the opinion of the ACD, the use of derivative instruments within the Fund does not have a significant effect on the Fund's operations and as such a sensitivity analysis is not deemed appropriate.

# Distribution table for the year ended 31 October 2011 (in pence per share)

## Final dividend distribution (xd date 31 October 2011, paid on 30 December 2011)

| | Net revenue | Distribution paid 30/12/2011 | Distribution paid 31/12/2010 |
|---|---|---|---|
| **Class A accumulation** | 1.9938 | 1.9938 | 1.2672 |
| **Class I accumulation** | 4.0813 | 4.0813 | 3.4846 |
| **Class Z accumulation** | 8.9551 | 8.9551 | 6.0528 |

# Managers' report

### Fund Managers

Geoffrey Paton and Stuart O'Gorman

### Investment objective and policy

To aim to provide capital growth by investing in companies worldwide that derive, or are expected to derive, profits from technology.

### Performance summary

Over the year the Fund increased by 6.0% compared with a 4.4% increase in the MSCI All Countries Information Technology Index.

**Discrete annual performance**

| | 1 Nov 10-31 Oct 11 % | 1 Nov 09-31 Oct 10 % | 1 Nov 08-31 Oct 09 % | 1 Nov 07-31 Oct 08 % | 1 Nov 06-31 Oct 07 % |
|---|---|---|---|---|---|
| **Henderson Global Technology Fund** | 6.0 | 25.6 | 31.0 | (25.7) | 24.1 |
| **MSCI All Countries World Information Technology** | 4.4 | 20.1 | 30.2 | (28.0) | 16.4 |

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

Please remember that past performance is not a guide to future performance. The value of an investment and the income 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 October 2011

| Purchases | £000 | Sales | £000 |
|---|---|---|---|
| Ericsson 'B' | 9,896 | Apple | 20,548 |
| Cisco | 9,630 | IBM | 14,630 |
| Apple | 9,211 | Cisco | 14,267 |
| SAP | 9,099 | Google | 9,498 |
| Qualcomm | 8,396 | Netflix | 8,544 |
| Samsung Electronics | 8,388 | Microsoft | 8,498 |
| EMC | 8,281 | High Technology Computer | 7,826 |
| Mastercard | 8,269 | Ericsson 'B' | 7,696 |
| Google 'A' | 8,138 | Hewlett Packard | 7,688 |
| Ebay | 7,508 | NetApp | 7,117 |

# Managers' report (continued)

## Activity

The Fund outperformed the MSCI All Countries World IT Index in the twelve-months to the end of October 2011. The period under review was characterised by increased volatility in markets as uncertainty about global factors such as political unrest in the Middle East, sovereign debt markets in Europe and the tragic earthquake in Japan impacted market sentiment. In this environment the technology sector outperformed the broader equity markets.

The best performing sectors for the Fund were communications equipment and electronic instruments & components, whilst the biggest detractors were the internet software & services and semiconductor sectors. Geographically, the portfolio's longstanding dislike for Japanese equities contributed materially to performance.

At a stock level, the biggest contributor to outperformance was Priceline, the travel booking website, which continued to gain market share from both offline and online travel agents. HTC also outperformed strongly over the period, as the company benefited from the successful launch of a number of new handsets; this position was subsequently exited upon concerns of retaining recent market share gains in the smartphone sector. Rightmove, the UK-based property listing website reported strong revenue growth despite a weak property market, gaining market share from traditional advertising media. Elsewhere, Check Point software reported strong revenue growth from its security software suite as enterprises looked to reinforce their data security due to a number of high profile breaches during the year. Accenture, the global IT services and consulting firm, also performed strongly as global IT budget spend showed signs of a recovery.

Stocks which detracted from performance included Netflix, a US-based online movie rental service. Increased competition for content and negative customer reaction to proposed pricing changes caused a fall in the share price towards the end of the review period. Ctrip, the Chinese internet travel site operator, also underperformed after reporting weaker-than-expected margins due to increased competition in the hotels segment.

In terms of portfolio activity, we initiated new positions within the semiconductor sector. Lam Research was repurchased due to its attractive valuation, as it looks well positioned in the longer term as the semiconductor market recovers. Sandisk was added as the outlook for NAND flash memory is positive with significant increases in demand expected from smartphones and tablets. Paperless payment, a new theme within the Fund was created over the period. We believe ongoing penetration of payment terminals in emerging markets, together with new payment technologies in mature markets, will drive strong growth – new positions initiated here included Mastercard, Visa and Wirecard.

The desperation of policy makers has indeed led to a near term response to prop up the ailing eurozone, and helped markets to rebound from very oversold levels. It seems increasingly likely that further policy responses will be added globally to 'kick the can' further down the road, which should add some near term support to markets, albeit without solving the longer-term issues. New concerns on growth in emerging markets may add to the global money printing which may also add near term support. One positive factor is that US economic data seems to be improving. The technology sector had a generally better earnings season than was feared and technology has continued its trend of outperforming in falling markets. IT budgets are likely to be restricted especially in the early part of 2012 but the flexible nature of most technology companies' business models should enable this to be offset to some degree. We continue to not make any major macroeconomic calls but to focus on companies with under appreciated growth or barriers to entry at attractive valuations. Our prediction is that technology will outperform other global equities in all market conditions except, counter-intuitively, during an economic boom.

Geoffrey Paton and Stuart O'Gorman
6 December 2011

# Comparative tables as at 31 October 2011

## 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 X accumulation** | | | | |
| 31/10/2009 # | 268,395,608 | 1,616,843 | 386,449 | 418.38 |
| **Class A accumulation** | | | | |
| 31/10/2009 | 268,395,608 | 169,453,234 | 38,717,942 | 437.66 |
| 31/10/2010 | 370,035,927 | 219,436,276 | 39,245,497 | 559.14 |
| 31/10/2011 | 347,641,687 | 213,428,315 | 36,768,629 | 580.46 |
| **Class I accumulation** | | | | |
| 31/10/2009 | 268,395,608 | 97,325,531 | 21,251,712 | 457.97 |
| 31/10/2010 | 370,035,927 | 150,599,651 | 25,562,633 | 589.14 |
| 31/10/2011 | 347,641,687 | 134,211,836 | 21,775,975 | 616.33 |
| **Class Z accumulation** | | | | |
| 31/10/2011^ | 347,641,687 | 1,536 | 1,500 | 102.40 |

#X share class merged with A share class on 11 January 2010

^ Z share class launched on the 19th September 2011

# Comparative tables (continued)

## Performance record

| Calendar year | Net revenue (pence per share) | Highest price (pence per share) | Lowest price (pence per share) |
|---|---|---|---|
| **Class X accumulation** | | | |
| 2006 | - | 401.00 | 313.00 |
| 2007 | - | 448.00 | 353.80 |
| 2008 | - | 440.10 | 289.50 |
| 2009 | - | 497.00 | 312.40 |
| 2010 # | - | 499.80 | 485.00 |
| **Class A accumulation** | | | |
| 2006 | - | 412.00 | 322.20 |
| 2007 | - | 464.40 | 365.20 |
| 2008 | - | 456.20 | 301.40 |
| 2009 | - | 520.30 | 325.60 |
| 2010 | - | 608.00 | 474.70 |
| 2011 | -* | 626.70+ | 503.80+ |
| **Class I accumulation** | | | |
| 2006 | - | 423.60 | 331.80 |
| 2007 | - | 481.50 | 377.10 |
| 2008 | - | 473.00 | 313.90 |
| 2009 | - | 544.90 | 339.60 |
| 2010 | - | 641.30 | 497.40 |
| 2011 | -* | 661.70+ | 534.10+ |
| **Class Z accumulation** | | | |
| 2011 ^ | -* | 105.00+ | 94.15+ |

* to 30 December

\+ to 31 October

# X share class merged with A share class on 11 January 2010.

^ Z share class launched on the 19th September 2011

# Total expense ratio

The annualised total expense ratio (TER) of the Fund, based on the total expenses included within the financial statements for the year as indicated below:

| | 2011<br>% | 2010<br>% |
|---|---|---|
| **Class A** | 1.82 | 1.79 |
| **Class I** | 1.07 | 1.10 |
| **Class Z^** | 0.08 | n/a |

The TER of the Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.
^Z share class lauched on 19 September 2011.

## Portfolio statement as at 31 October 2011

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Bonds 0.00% (2010: 0.31%)** | | |
| | **United States 0.00% (2010: 0.31%)** | | |
| | **Equities 96.44% (2010: 95.51%)** | | |
| | **Canada 0.00% (2010: 0.00%)** | | |
| 665,000 | Wildcard Technologies* | - | - |
| | **Cayman Islands 1.21% (2010: 0.00%)** | | |
| 48,618 | Baidu | 4,218 | 1.21 |
| | **Channel Islands 0.21% (2010: 0.00%)** | | |
| 141,669 | Velti | 739 | 0.21 |
| | **China 0.00% (2010: 1.50%)** | | |
| | **Finland 0.21% (2010: 0.00%)** | | |
| 171,394 | Nokia | 721 | 0.21 |
| | **France 0.52% (2010: 0.00%)** | | |
| 75,951 | Cap Gemini | 1,819 | 0.52 |
| | **Germany 3.27% (2010: 1.59%)** | | |
| 253,325 | SAP | 9,556 | 2.75 |
| 182,270 | Wirecard | 1,822 | 0.52 |
| | | 11,378 | 3.27 |
| | **Hong Kong 1.63% (2010: 0.00%)** | | |
| 604,000 | AAC Technologies | 867 | 0.25 |
| 330,098 | Tencent | 4,799 | 1.38 |
| | | 5,666 | 1.63 |
| | **India 0.33% (2010: 0.00%)** | | |
| 62,614 | Makemytrip | 1,164 | 0.33 |
| | **Japan 1.20% (2010: 0.00%)** | | |
| 57,000 | Nippon Telegraph & Telephone | 1,823 | 0.52 |
| 69,600 | Tokyo Electron | 2,353 | 0.68 |
| | | 4,176 | 1.20 |
| | **Korea 3.55% (2010: 1.71%)** | | |
| 22,774 | Samsung Electronics | 12,324 | 3.55 |
| | **Netherlands 1.24% (2010: 1.19%)** | | |
| 164,257 | ASM Lithography | 4,297 | 1.24 |

## Portfolio statement (continued)

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **South Africa 0.00% (2010: 0.00%)** | | |
| | **Switzerland 0.42% (2010: 0.82%)** | | |
| 124,132 | Temenos | 1,462 | 0.42 |
| | **Taiwan 4.21% (2010: 2.36%)** | | |
| 256,910 | Hiwin Technologies | 1,463 | 0.42 |
| 3,130,000 | Hon Hai Precision Industry | 5,393 | 1.55 |
| 95,000 | MediaTek | 626 | 0.18 |
| 2,148,177 | Taiwan Semiconductor | 3,270 | 0.94 |
| 229,696 | Taiwan Semiconductor Manufacturing ADS | 1,796 | 0.52 |
| 166,000 | TPK Holdings | 1,753 | 0.50 |
| 437,000 | WPG Holdings | 332 | 0.10 |
| | | 14,633 | 4.21 |
| | **United Kingdom 1.71% (2010: 0.70%)** | | |
| 257,616 | Rightmove | 3,362 | 0.97 |
| 1,479,275 | Vodafone | 2,557 | 0.74 |
| | | 5,919 | 1.71 |
| | **United States 76.73% (2010: 85.64%)** | | |
| | **Consumer goods 0.73% (2010: 0.68%)** | | |
| 62,802 | Mercadolibre | 2,534 | 0.73 |
| | **Consumer services 1.75% (2010: 2.86%)** | | |
| 309,256 | Ebay | 6,095 | 1.75 |
| | **Financial 2.25% (2010: 0.79%)** | | |
| 36,487 | Mastercard | 7,831 | 2.25 |
| | **Industrials 1.81% (2010: 2.24%)** | | |
| 168,789 | Accenture | 6,298 | 1.81 |
| | **Technology 70.19% (2010: 78.31%)** | | |
| 61,354 | 51 Job | 1,755 | 0.51 |
| 39,792 | Altera | 935 | 0.27 |
| 146,323 | Analog Devices | 3,314 | 0.95 |
| 138,045 | Apple | 34,620 | 9.96 |
| 246,255 | Arm Holdings | 1,439 | 0.41 |
| 133,124 | Check Point Software | 4,753 | 1.37 |
| 1,013,191 | Cisco Systems | 11,618 | 3.34 |
| 127,709 | Cognizant Technology | 5,754 | 1.66 |
| 411,317 | Dell | 4,026 | 1.16 |
| 410,117 | EMC | 6,223 | 1.79 |
| 599,131 | Ericsson 'B' | 3,909 | 1.12 |
| 42,371 | F5 Networks | 2,729 | 0.79 |

# Portfolio statement (continued)

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Technology** (continued) | | |
| 140,795 | Fairchild Semiconductor | 1,306 | 0.38 |
| 38,556 | Fusion-IO | 741 | 0.21 |
| 50,480 | Gartner | 1,203 | 0.35 |
| 58,702 | Google | 21,531 | 6.19 |
| 325,551 | Hewlett Packard | 5,367 | 1.54 |
| 164,403 | IBM | 18,819 | 5.41 |
| 538,647 | Infineon Technology | 3,049 | 0.88 |
| 561,024 | Intel | 8,526 | 2.45 |
| 160,406 | Intuit | 5,335 | 1.53 |
| 27,296 | Juniper Networks | 413 | 0.12 |
| 68,130 | Lam Research | 1,815 | 0.52 |
| 69,266 | Micros Systems | 2,112 | 0.61 |
| 1,370,004 | Microsoft | 22,594 | 6.50 |
| 180,580 | Netapp | 4,582 | 1.32 |
| 104,556 | NetEase.com | 3,068 | 0.88 |
| 109,486 | Nuance Communications | 1,796 | 0.52 |
| 111,223 | Opentable | 3,022 | 0.87 |
| 1,682 | Oplink Communications | 17 | 0.01 |
| 885,708 | Oracle | 17,976 | 5.17 |
| 15,344 | Priceline.com | 4,827 | 1.39 |
| 334,101 | Qualcomm | 10,683 | 3.07 |
| 63,539 | Red Hat | 1,954 | 0.56 |
| 120,073 | Sandisk | 3,769 | 1.08 |
| 61,441 | Shutterfly | 1,586 | 0.46 |
| 183,759 | Skyworks Solutions | 2,255 | 0.65 |
| 428,201 | Telecity | 2,559 | 0.74 |
| 53,906 | Teradata | 1,992 | 0.57 |
| 323,711 | Texas Instruments | 6,159 | 1.77 |
| 34,613 | Visa | 2,001 | 0.58 |
| 30,593 | VMware | 1,851 | 0.53 |
| | | 243,983 | 70.19 |
| | **Utilities 0.00% (2010: 0.76%)** | | |
| | **Investment assets** | **335,257** | **96.44** |
| | Net other assets | 12,385 | 3.56 |
| | **Net assets** | **347,642** | **100.00** |

* Unlisted security.

## Statement of total return for the year ended 31 October 2011

| | Notes | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Net capital gains | 2 | | 18,665 | | 79,490 |
| Revenue | 4 | 3,908 | | 2,935 | |
| Expenses | 5 | (5,942) | | (5,175) | |
| Finance costs: Interest | 7 | (1) | | (5) | |
| Net expense before taxation | | (2,035) | | (2,245) | |
| Taxation | 6 | (543) | | (437) | |
| Net expense after taxation | | | (2,578) | | (2,682) |
| Total return before distributions | | | 16,087 | | 76,808 |
| Finance costs: Distributions | 7 | | - | | - |
| **Change in net assets attributable to shareholders from investment activities** | | | **16,087** | | **76,808** |

## Statement of change in net assets attributable to shareholders for the year ended 31 October 2011

| | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|
| **Opening net assets attributable to shareholders** | | **370,036** | | **268,396** |
| Amounts receivable on issue of shares | 69,510 | | 95,511 | |
| Amounts payable on cancellation of shares | (107,983) | | (70,708) | |
| | | (38,473) | | 24,803 |
| Dilution adjustment | | - | | 39 |
| Stamp duty reserve tax | | (8) | | (10) |
| Change in net assets attributable to shareholders from investment activities (see above) | | 16,087 | | 76,808 |
| **Closing net assets attributable to shareholders** | | **347,642** | | **370,036** |

# Balance sheet as at 31 October 2011

| | Note | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investment assets | | | 335,257 | | 354,558 |
| Debtors | 8 | 4,856 | | 6,878 | |
| Cash and bank balances | 9 | 20,282 | | 14,241 | |
| Total other assets | | | 25,138 | | 21,119 |
| **Total assets** | | | 360,395 | | 375,677 |
| **Liabilities** | | | | | |
| Creditors | 10 | 9,995 | | 3,106 | |
| Bank overdrafts | | 2,758 | | 2,535 | |
| Total other liabilities | | | 12,753 | | 5,641 |
| **Total liabilities** | | | 12,753 | | 5,641 |
| **Net assets attributable to shareholders** | | | **347,642** | | **370,036** |

## 1 Accounting policies

The accounting policies are set out in note 1 of the aggregated financial statements on pages 11 to 13.

## 2 Net capital gains

Net capital gains on investments during the year comprise:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Non-derivative securities | 18,570 | 79,442 |
| Other currency gains | 116 | 55 |
| Transaction costs | (21) | (7) |
| **Net capital gains** | **18,665** | **79,490** |

## 3 Portfolio transaction costs

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Purchases in year before transaction costs | 291,132 | 235,117 |
| Commissions | 436 | 303 |
| Other costs | 1 | - |
| Taxes | 26 | 22 |
| Total purchase transaction costs* | 463 | 325 |
| **Purchases including transaction costs** | **291,595** | **235,442** |
| Sales in year before transaction costs | 330,133 | 221,764 |
| Commissions | (395) | (293) |
| Other costs | (38) | - |
| Taxes | (100) | (84) |
| Total sale transaction costs* | (533) | (377) |
| **Sales net of transaction costs** | **329,600** | **221,387** |
| **Transaction handling charges*** | **21** | **7** |

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

## 4 Revenue

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Bank interest | 15 | 7 |
| Interest on debt securities | 96 | 102 |
| Overseas dividends | 3,647 | 2,706 |
| Stock dividends | - | 78 |
| UK dividends | 150 | 42 |
| **Total revenue** | **3,908** | **2,935** |

## 5 Expenses

| | 2011 £000 | 2010 £000 |
|---|---|---|
| **Payable to the ACD, associates of the ACD and agents of either of them:** | | |
| ACD's periodic charge | 5,116 | 4,448 |
| General administration charge* | 787 | 572 |
| Sub registration fees | - | 53 |
| | 5,903 | 5,073 |
| **Payable to the Depositary, associates of the Depositary and agents of either of them:** | | |
| Depositary fees | 47 | 40 |
| Safe custody fees | 43 | 36 |
| | 90 | 76 |
| **Other expenses:** | | |
| Professional fees | 7 | - |
| Audit fees | - | 2 |
| Prior year over accrual | (51) | - |
| Registration Fees | - | 24 |
| VAT refund | (7) | - |
| | (51) | 26 |
| **Total expenses** | **5,942** | **5,175** |

Irrecoverable VAT is included in the above expenses where relevant.

*The current audit fee is £9,240 (2010:£9,086). The audit fee levied through the GAC charge is £9,240 (2010:£7,122).

## 6 Taxation

### (a) Analysis of charge in the year

The tax charge comprises:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Overseas tax reclaims | (45) | (15) |
| Overseas withholding tax | 588 | 452 |
| | 543 | 437 |
| **Total current tax (note 6b)** | **543** | **437** |

### (b) Factors affecting current tax charge for year

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

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Net revenue before taxation | (2,035) | (2,245) |
| Corporation tax at 20% (2010: 20%) | (407) | (449) |
| Effects of: | | |
| Irrecoverable overseas tax | 543 | 437 |
| Non-Taxable overseas dividends ** | (719) | (525) |
| Stock dividends* | (8) | (16) |
| UK dividends* | (30) | (8) |
| Unused management expenses | 1,164 | 998 |
| **Current tax charge for the year (note 6a)** | **543** | **437** |

* As an OEIC this item is not subject to corporation tax.

** Overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.

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 (2010: 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 £11,800,008 (2010: £10,635,474) 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.

## 7 Finance costs

**Distributions and interest**

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Finance costs: Distributions | - | - |
| Finance costs: Interest | 1 | 5 |
| **Total finance cost** | **1** | **5** |
| Net expense after taxation | (2,578) | (2,682) |
| Revenue shortfall | 2,578 | 2,682 |
| | - | - |

## 8 Debtors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Accrued revenue | 222 | 99 |
| Amounts receivable for issue of shares | 195 | 1,017 |
| Currency transactions awaiting settlement | 2,570 | 368 |
| Overseas withholding tax reclaimable | 65 | 20 |
| Sales awaiting settlement | 1,804 | 5,374 |
| **Total debtors** | **4,856** | **6,878** |

## 9 Cash and bank balances

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Cash and bank balances | 20,282 | 14,241 |
| **Total cash and bank balances** | **20,282** | **14,241** |

## 10 Creditors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Accrued ACD's periodic charge | 382 | 399 |
| Accrued Depositary's fees | 4 | 4 |
| Accrued other expenses | 65 | 177 |
| Amounts payable for cancellation of shares | 1,935 | 209 |
| Currency transactions awaiting settlement | 2,572 | 368 |
| Purchases awaiting settlement | 5,037 | 1,949 |
| **Total creditors** | **9,995** | **3,106** |

## 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

## 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 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 64 and 65 and notes 5, 8 and 10 on pages 67 to 69 including all creations and cancellations where the ACD acted as principal.

Skandia Life Assurance Company Ltd and Nortrust Nominees Ltd, as material shareholders, are related parties holding shares comprising 10.17% (2010: 10.65%) and 18.55% (2010: 15.38%) respectively of the total net assets of the Fund as at 31 October 2011.

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.

## 13 Shareholder funds

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

Class A 1.50%
Class I 1.00%
Class Z 0.00%*

* Charges for managing Z class shares are levied outside the Fund and are agreed between the ACD and investors.

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 58. All share classes have the same rights on winding up.

## 14 Risk

Risks and policies in respect of financial assets and liabilities are set out in note 2 of the aggregated financial statements on pages 13-14.

**Curreny risk**

Net currency monetary assets and liabilities consist of:

| Currency | Investment assets including investment liabilities £000 | Net other assets including (liabilities) £000 | Net assets £000 |
|---|---|---|---|
| **2011** | | | |
| Euro | 21,263 | 34 | 21,297 |
| Hong Kong dollar | 5,666 | - | 5,666 |
| Japanese yen | 4,176 | 66 | 4,242 |
| Korean won | 12,324 | - | 12,324 |
| Swedish krona | 3,909 | 520 | 4,429 |
| Swiss franc | 1,462 | 5 | 1,467 |
| Taiwan dollar | 12,836 | 10,505 | 23,341 |
| UK sterling | 9,917 | (880) | 9,037 |
| US dollar | 263,704 | 2,135 | 265,839 |
| **Total** | **335,257** | **12,385** | **347,642** |

| Currency | | | |
|---|---|---|---|
| **2010** | | | |
| Brazilian real | 1,487 | - | 1,487 |
| Euro | 15,023 | 8 | 15,031 |
| Hong Kong dollar | 5,559 | 7 | 5,566 |
| Korean won | 6,332 | 864 | 7,196 |
| Swedish krona | 4,037 | - | 4,037 |
| Swiss franc | 3,020 | (61) | 2,959 |
| Taiwan dollar | 14,215 | 11,908 | 26,123 |
| UK sterling | 6,218 | (520) | 5,698 |
| US dollar | 298,667 | 3,272 | 301,939 |
| **Total** | **354,558** | **15,478** | **370,036** |

**Interest rate risk profile of financial assets and financial liabilities**

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

Interest earned and paid on bank balances during the year was at a variable rate. The interest rates on sterling bank accounts at the end of the year were 0.29% on credit balances (2010: 0.20%) and 1.79% on overdraft balances (2010: 1.70%).

**Sensitivity analysis**

In the opinion of the ACD, the use of derivatives with this fund does not have a significant effect on the Fund's operations and, as such, a sensitivity analysis is not deemed appropriate.

# Manager's report

## Fund Manager

Tim Dieppe

## Investment objective and policy

The objective is to aim to provide long-term capital appreciation by investing globally in companies that enable an environmentally sustainable and socially responsible economy.

## Performance summary

Over the year the Fund fell by 0.3% compared with a 1.3% increase in the MSCI World index.

**Discrete annual performance**

| | 1 Nov 10-<br>31 Oct 11<br>% | 1 Nov 09-<br>31 Oct 10<br>% | 1 Nov 08-<br>31 Oct 09<br>% | 1 Nov 07-<br>31 Oct 08<br>% | 1 Nov 06-<br>31 Oct 07<br>% |
|---|---|---|---|---|---|
| **Henderson Industries of the Future Fund** | (0.3) | 14.7 | 22.5 | (27.2) | 17.3 |
| **MSCI World Index** | 1.3 | 16.8 | 16.9 | (24.8) | 11.1 |

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

Please remember that past performance is not a guide to future performance. The value of an investment and the income 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 October 2011

| Purchases | £000 | Sales | £000 |
|---|---|---|---|
| Hunt (J.B.) Transport | 1,594 | Nalco | 2,556 |
| Tempur Pedic International | 1,562 | Iberdrola Renovables | 2,268 |
| Mettler Toledo | 1,510 | Life Technologies | 1,552 |
| Polypore | 1,490 | Emergency Medical Services Class 'A' | 1,550 |
| Intuitive Surgical | 1,452 | Telvent Git | 1,494 |
| Trimble Navigation | 1,390 | Medassets | 1,493 |
| Fischer (Georg) | 1,263 | Cisco Systems | 1,318 |
| NVC Lighting | 1,161 | Sysmex | 1,311 |
| Huaneng Renewables | 1,116 | Qiagen | 1,293 |
| Yingli Green Energy | 1,038 | JA Solar | 1,087 |

## Performance & Themes

The Fund underperformed the MSCI World Index over the year. In terms of themes, Efficiency and Cleaner Energy detracted from performance, whilst Health and Safety contributed positively reflecting the shift in market sentiment away from cyclicals to more defensive areas. We benefited from bid approaches for five holdings in the period: Emergency Medical Services (Health), Eaga (Efficiency), Telvent (Efficiency), Iberdrola Renovables (Cleaner Energy), and Nalco (Water). In addition, shares of Ansaldo STS (Sustainable Transport) rose strongly towards the end of the period on talk of a bid approach. This level of corporate activity demonstrates the value that corporations see in the market as investors focus on short-term returns and discount long-term opportunities.

Within the Efficiency theme, several holdings suffered from a general sell down of industrials. LED equipment manufacturer Veeco was weak in expectation of a sharp slowdown of orders. Solar stocks in our Cleaner Energy theme were hit hard as module prices continued to fall without a corresponding pick-up in demand.

In the Health theme, we benefited from strong performance in voice recognition company Nuance, which is seeing increasing take-up of their services. Robotic surgery company Intuitive Surgical also performed well as they continued to place new systems in hospitals. Against this, the Fund was hit by disease management company Healthways’ announcement on the loss of their largest customer, while health care IT company MedAssets reported disappointing figures due to poor management issues.

Rear view mirror manufacturer Gentex, in our Safety theme performed well as legislation was proposed to mandate rear view cameras which should benefit the company. In our Environmental Services theme, auto part recycler LKQ Corp performed well and benefited from entering the UK market with an attractive acquisition.

Elsewhere, the bid for Nalco boosted our Water theme performance. In Sustainable Transport we saw good performance from Union Pacific and JB Hunt, offset by weakness in Georg Fischer and FirstGroup. Our Knowledge theme detracted from performance as Informa was sold off on cyclical concerns and Grand Canyon Education was weak on the impact of new regulations in the US.

## Activity

We sold out of the five names that received bids in the period. We also sold out of solar inverter manufacturer SMA Solar (Cleaner Energy) as we see increased competition in the inverter market. We exited our position in Maxwell Technologies (Efficiency) as our conviction over the potential of ultracapacitors has reduced. The position in environmental services company Newalta was sold following strong share price performance and our view that the stock is now fully valued.

We initiated a position in the US company Polypore International (Efficiency). The firm has a leading position in the battery separation technology market, and is well positioned to benefit from the expected uptake in electric vehicles and hybrids. We also initiated a position in UK packaging company DS Smith (Environmental Services) as we see scope for their retail ready recycled packaging products to gain market share.

We sold out of Life Technologies and Qiagen in the Health theme and initiated a holding in health care IT company Allscripts which has scope to gain market share in a growing market. We initiated a holding in Mettler-Toledo (Health), a world leader in laboratory weighing instruments. We also started a position in foam mattress manufacturer Tempur-Pedic (Quality of Life) which has a leading position in this market.

Tim Dieppe
1 December 2011

# Comparative tables as at 31 October 2011

## 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 X income** | | | | |
| 31/10/2009 # | 73,841,762 | 1,076,550 | 648,561 | 165.99 |
| **Class A income** | | | | |
| 31/10/2009 | 73,841,762 | 52,664,851 | 30,658,650 | 171.78 |
| 31/10/2010 | 96,236,634 | 62,531,860 | 31,421,887 | 199.00 |
| 31/10/2011 | 92,408,527 | 60,532,869 | 31,184,022 | 194.12 |
| **Class I income** | | | | |
| 31/10/2009 | 73,841,762 | 3,170,162 | 1,807,486 | 175.39 |
| 31/10/2010 | 96,236,634 | 10,945,509 | 5,352,149 | 204.50 |
| 31/10/2011 | 92,408,527 | 13,674,300 | 6,847,816 | 199.69 |
| **Class I accumulation** | | | | |
| 31/10/2009 | 73,841,762 | 16,930,199 | 9,428,483 | 179.56 |
| 31/10/2010 | 96,236,634 | 17,968,008 | 8,581,806 | 209.37 |
| 31/10/2011 | 92,408,527 | 10,128,492 | 4,926,560 | 205.59 |
| **Class I Euro accumulation** | | | | |
| 31/10/2011 ^ | 92,408,527 | 1,132,357 | 1,501,000 | 75.44 |
| **Class A Euro accumulation** | | | | |
| 31/10/2010 ** | 96,236,634 | 4,791,257 | 42,022 | 11,401.78 |
| 31/10/2011 | 92,408,527 | 6,940,509 | 62,340 | 11,133.32 |

# X share class merged with A share class on 11 January 2010.

**A Euro share class established October 2010.

^ I Euro share class established January 2011.

# Comparative tables (continued)

## Performance record

| Calendar year | Net revenue (pence per share) | | Highest price (pence per share) | | Lowest price (pence per share) | |
|---|---|---|---|---|---|---|
| **Class X income** | | | | | | |
| 2006 | - | | 175.20 | | 149.60 | |
| 2007 | - | | 194.50 | | 167.70 | |
| 2008 | - | | 194.40 | | 127.10 | |
| 2009 | - | | 186.30 | | 130.20 | |
| 2010 # | - | | 186.50 | | 182.20 | |
| **Class A income** | | | | | | |
| 2006 | - | | 178.10 | | 152.20 | |
| 2007 | - | | 199.50 | | 171.10 | |
| 2008 | - | | 199.30 | | 130.90 | |
| 2009 | - | | 192.90 | | 134.30 | |
| 2010 | - | | 218.90 | | 180.10 | |
| 2011 | - | * | 225.90 | + | 177.20 | + |
| **Class I income** | | | | | | |
| 2006 | - | | 178.30 | | 152.60 | |
| 2007 | - | | 201.40 | | 171.90 | |
| 2008 | - | | 201.30 | | 132.70 | |
| 2009 | - | | 197.10 | | 136.70 | |
| 2010 | 0.53 | | 224.60 | | 184.80 | |
| 2011 | 0.60 | * | 238.70 | + | 187.40 | + |
| **Class I accumulation** | | | | | | |
| 2006 | - | | 183.00 | | 156.60 | |
| 2007 | - | | 206.70 | | 176.40 | |
| 2008 | - | | 206.50 | | 136.20 | |
| 2009 | - | | 201.80 | | 140.00 | |
| 2010 | 0.54 | | 230.60 | | 189.20 | |
| 2011 | 0.62 | * | 232.60 | + | 182.60 | + |

| | Net revenue (EUR cents per share) | | Highest price (EUR cents per share) | | Lowest price (EUR cents per share) | |
|---|---|---|---|---|---|---|
| **Class I Euro accumulation** | | | | | | |
| 2011 ^ | 0.34 | * | 102.00 | + | 78.63 | + |
| **Class A Euro accumulation** | | | | | | |
| 2010 ** | - | | 14,738 | | 12,968 | |
| 2011 | - | * | 15,045 | + | 11,616 | + |

* to 30 December
\+ to 31 October
\# X share class merged with A share class on 11 January 2010
** A Euro share class established October 2010
^ I Euro share class established January 2011

# Total expense ratio

The annualised total expense ratio (TER) of the Fund, based on the total expenses included within the financial statements for the year as indicated below:

| | 2011<br>% | 2010<br>% |
|---|---|---|
| **Class A** | 1.76 | 1.73 |
| **Class I** | 1.08 | 1.08 |
| **Class I Euro^** | 1.08 | n/a |
| **Class A Euro** | 1.76 | 1.73 |

The TER of a Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.

^ I Euro share class established January 2011.

# Portfolio statement as at 31 October 2011

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Equities 97.96% (2010: 96.72%)** | | |
| | **Australia 1.31% (2010: 1.19%)** | | |
| 63,640 | CSL | 1,207 | 1.31 |
| | **Austria 0.72% (2010: 0.70%)** | | |
| 51,768 | Zumtobel | 669 | 0.72 |
| | **Belgium 1.75% (2010: 1.88%)** | | |
| 60,018 | Umicore | 1,614 | 1.75 |
| | **Canada 1.19% (2010: 1.77%)** | | |
| 79,602 | Ecosynthetix | 350 | 0.38 |
| 34,803 | Stantec | 527 | 0.57 |
| 238,786 | TSO3 | 220 | 0.24 |
| | | 1,097 | 1.19 |
| | **France 5.80% (2010: 4.50%)** | | |
| 29,291 | Essilor International | 1,326 | 1.43 |
| 40,059 | Orpea | 1,077 | 1.17 |
| 41,120 | Schneider Electric | 1,516 | 1.64 |
| 147,410 | Suez Environnement | 1,445 | 1.56 |
| | | 5,364 | 5.80 |
| | **Germany 2.00% (2010: 3.28%)** | | |
| 29,976 | Fresenius | 1,852 | 2.00 |
| | **Hong Kong 3.20% (2010: 2.36%)** | | |
| 1,909,000 | China Automation | 411 | 0.44 |
| 5,692,000 | Huaneng Renewables | 963 | 1.04 |
| 3,724,000 | NVC Lighting | 1,010 | 1.10 |
| 388,795 | Zhuzhou CSR Times Electric | 571 | 0.62 |
| | | 2,955 | 3.20 |
| | **Italy 1.95% (2010: 2.15%)** | | |
| 160,899 | Ansaldo | 1,058 | 1.15 |
| 723,812 | Hera | 738 | 0.80 |
| | | 1,796 | 1.95 |
| | **Japan 9.30% (2010: 8.43%)** | | |
| 51,500 | Benesse | 1,375 | 1.49 |
| 92,400 | Daiseki | 1,061 | 1.15 |
| 27,000 | East Japan Railway | 1,022 | 1.10 |
| 65,400 | Horiba | 1,316 | 1.42 |
| 5,742 | Keyence | 921 | 1.00 |
| 37,700 | Secom | 1,122 | 1.21 |
| 37,700 | Shimano | 1,180 | 1.28 |
| 68,600 | Torishima | 601 | 0.65 |
| | | 8,598 | 9.30 |

# Portfolio statement (continued)

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Netherlands 0.91% (2010: 2.42%)** | | |
| 68,279 | Arcadis | 837 | 0.91 |
| | **Singapore 1.33% (2010: 0.99%)** | | |
| 1,777,577 | Comfortdelgro | 1,232 | 1.33 |
| | **Spain 0.00% (2010: 2.76%)** | | |
| | **Switzerland 3.03% (2010: 3.24%)** | | |
| 140,267 | ABB | 1,667 | 1.80 |
| 2,795 | Fischer (Georg) | 723 | 0.78 |
| 1,337 | Gurit | 414 | 0.45 |
| | | 2,804 | 3.03 |
| | **United Kingdom 10.87% (2010: 9.32%)** | | |
| 1,693,756 | Clean Air Power | 59 | 0.06 |
| 223,895 | Clean Air Power Warrant * ~ | - | - |
| 228,596 | Experian | 1,853 | 2.01 |
| 265,605 | FirstGroup | 887 | 0.96 |
| 342,323 | Informa | 1,241 | 1.34 |
| 89,646 | Intertek Testing Services | 1,842 | 1.99 |
| 538,817 | Plant Healthcare # | 245 | 0.27 |
| 289,216 | Reed Elsevier | 1,546 | 1.67 |
| 1,005,626 | Sirius Real Estate | 202 | 0.22 |
| 468,248 | Smith (David S.) | 997 | 1.08 |
| 119,856 | Synergy Healthcare | 999 | 1.08 |
| 334,067 | Trading Emissions 'C' | 171 | 0.19 |
| | | 10,042 | 10.87 |
| | **United States 54.60% (2010: 51.73%)** | | |
| 36,947 | Acuity Brands | 1,060 | 1.15 |
| 79,123 | Agilent Technologies | 1,817 | 1.97 |
| 78,331 | Allscripts Healthcare Solutions | 929 | 1.01 |
| 82,240 | Ameresco | 561 | 0.61 |
| 34,768 | American Public Education | 772 | 0.83 |
| 19,554 | Cepheid | 435 | 0.47 |
| 80,253 | Codexis | 229 | 0.25 |
| 119,056 | Covanta | 1,080 | 1.17 |
| 64,295 | Danaher | 1,926 | 2.08 |
| 48,489 | Emerson Electric | 1,446 | 1.56 |
| 81,769 | Gentex | 1,525 | 1.65 |
| 84,868 | Healthways | 375 | 0.41 |
| 45,928 | HMS | 695 | 0.75 |
| 61,259 | Hunt (J.B.) Transport | 1,606 | 1.74 |
| 8,446 | Intuitive Surgical | 2,270 | 2.46 |
| 36,639 | IPC The Hospitalist | 952 | 1.03 |
| 77,736 | Johnson Controls | 1,586 | 1.72 |
| 28,036 | Laboratory Corporation of America | 1,456 | 1.58 |

# Portfolio statement (continued)

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **United States** (continued) | | |
| 79,267 | LKQ | 1,433 | 1.55 |
| 44,801 | Mednax | 1,826 | 1.98 |
| 15,350 | Mettler Toledo | 1,461 | 1.58 |
| 59,515 | NetApp | 1,510 | 1.63 |
| 91,054 | New York Community Bancorp | 750 | 0.81 |
| 134,887 | Nuance Communications | 2,213 | 2.39 |
| 78,547 | NxStage Medical | 1,118 | 1.21 |
| 21,169 | Ocean Power Technologies | 49 | 0.05 |
| 65,498 | Pentair | 1,459 | 1.58 |
| 119,087 | Polycom | 1,219 | 1.32 |
| 259,834 | Polyfuel ** | - | - |
| 47,672 | Polypore | 1,548 | 1.68 |
| 135,668 | Quanta Services | 1,756 | 1.90 |
| 44,030 | Regal Beloit | 1,450 | 1.57 |
| 35,041 | Roper Industries | 1,760 | 1.90 |
| 22,265 | Stericycle | 1,152 | 1.25 |
| 37,771 | Tempur Pedic International | 1,593 | 1.72 |
| 55,478 | Thermo Fisher Scientific | 1,726 | 1.87 |
| 55,248 | Trimble Navigation | 1,381 | 1.49 |
| 50,249 | Tyco | 1,417 | 1.53 |
| 29,286 | Union Pacific | 1,805 | 1.95 |
| 46,014 | Veeco Instruments | 761 | 0.82 |
| 138,696 | Yingli Green Energy | 347 | 0.38 |
| | | 50,454 | 54.60 |
| | **Investment assets** | **90,521** | **97.96** |
| | Net other assets | 1,888 | 2.04 |
| | **Net assets** | **92,409** | **100.00** |

* Market value less than £500
** Delisted Security
# Investments listed on the Alternative Investment Market
~ Unquoted

## Statement of total return for the year ended 31 October 2011

| | Notes | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Net capital (losses)/gains | 2 | | (1,732) | | 12,279 |
| Revenue | 4 | 1,475 | | 1,256 | |
| Expenses | 5 | (1,547) | | (1,310) | |
| Finance costs: Interest | 7 | - | | - | |
| Net expense before taxation | | (72) | | (54) | |
| Taxation | 6 | (116) | | (109) | |
| Net expense after taxation | | | (188) | | (163) |
| **Total return before distributions** | | | (1,920) | | 12,116 |
| Finance costs: Distributions | 7 | | (83) | | (54) |
| **Change in net assets attributable to shareholders from investment activities** | | | **(2,003)** | | **12,062** |

## Statement of change in net assets attributable to shareholders for the year ended 31 October 2011

| | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|
| **Opening net assets attributable to shareholders** | | **96,237** | | **73,842** |
| Amounts receivable on issue of shares | 14,795 | | 16,556 | |
| Amounts payable on cancellation of shares | (16,651) | | (10,432) | |
| Amounts receivable on in specie transfers | - | | 4,165 | |
| | | (1,856) | | 10,289 |
| Stamp duty reserve tax | | (4) | | (3) |
| Change in net assets attributable to shareholders from investment activities (see above) | | (2,003) | | 12,062 |
| Retained distribution on accumulation shares | | 35 | | 47 |
| **Closing net assets attributable to shareholders** | | **92,409** | | **96,237** |

# Balance sheet as at 31 October 2011

| | Notes | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investment assets | | | 90,521 | | 93,082 |
| Debtors | 8 | 977 | | 1,715 | |
| Cash and bank balances | 9 | 1,821 | | 1,894 | |
| Total other assets | | | 2,798 | | 3,609 |
| **Total assets** | | | **93,319** | | **96,691** |
| **Liabilities** | | | | | |
| Investment liabilities | | | - | | 1 |
| Creditors | 10 | 653 | | 312 | |
| Bank overdrafts | | 216 | | 113 | |
| Distribution payable on income shares | | 41 | | 28 | |
| Total other liabilities | | | 910 | | 453 |
| **Total liabilities** | | | **910** | | **454** |
| **Net assets attributable to shareholders** | | | **92,409** | | **96,237** |

## 1 Accounting policies

The accounting policies are set out in note 1 of the aggregated financial statements on pages 11 to 13.

## 2 Net capital (losses)/gains

Net capital (losses)/gains on investments during the year comprise:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Forward currency contracts | 1 | (10) |
| Non-derivative securities | (1,799) | 12,283 |
| Other currency gains | 76 | 14 |
| Transaction costs | (10) | (8) |
| **Net capital (losses)/gains** | **(1,732)** | **12,279** |

## 3 Portfolio transaction costs

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Purchases in year before transaction costs | 35,940 | 42,676 |
| Commissions | 62 | 54 |
| Taxes | 12 | 5 |
| Total purchase transaction costs* | 74 | 59 |
| **Purchases including transaction costs** | **36,014** | **42,735** |
| Sales in year before transaction costs | 36,046 | 34,349 |
| Commissions | (51) | (46) |
| Taxes | (2) | (2) |
| Total sale transaction costs* | (53) | (48) |
| **Sales net of transaction costs** | **35,993** | **34,301** |
| **Transaction handling charges*** | **10** | **8** |

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

# Notes to the financial statements (continued)

## 4 Revenue

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Bank interest | 10 | 4 |
| Overseas dividends | 1,234 | 1,065 |
| Stock lending revenue | 41 | 58 |
| UK dividends | 190 | 129 |
| **Total revenue** | **1,475** | **1,256** |

**Stock lending details**

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Aggregate value of securities on loan at the year end | 1,625 | 2,545 |

The aggregate value of securities at the year end and during the year subject to stock lending was fully secured.
All collateral held was in the form of securities. The aggregate value of collateral at the year end was £1,803,267 (2010: £2,835,012).

## 5 Expenses

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| **Payable to the ACD, associates of the ACD and agents of either of them:** | | |
| ACD's periodic charge | 1,361 | 1,151 |
| General administration charge* | 189 | 132 |
| Sub registration fees | - | 5 |
| | 1,550 | 1,288 |
| **Payable to the Depositary, associates of the Depositary and agents of either of them:** | | |
| Depositary fees | 12 | 10 |
| Safe custody fees | 7 | 6 |
| | 19 | 16 |
| **Other expenses:** | | |
| Professional fees | 3 | - |
| Audit fees | - | 2 |
| Dividend collection charges | - | 1 |
| Prior year over accrual | (25) | - |
| Printing and postage fees | - | 1 |
| Registration fees | - | 2 |
| | (22) | 6 |
| **Total expenses** | **1,547** | **1,310** |

Irrecoverable VAT is included in the above expenses where relevant.
The current audit fee is £9,240 (2010:£9,086). The audit fee levied through the GAC charge is £9,240 (2010: £7,112).

## 6 Taxation

### (a) Analysis of charge in year

The tax charge comprises:

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Overseas tax reclaims | (17) | (26) |
| Overseas withholding tax | 133 | 135 |
| **Total current tax (note 6b)** | **116** | **109** |

### (b) Factors affecting tax charge for the year

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

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Net revenue before taxation | (72) | (54) |
| Corporation tax at 20% (2010: 20%) | (14) | (11) |
| Effects of: | | |
| Irrecoverable overseas tax | 116 | 109 |
| Non-Taxable overseas dividends ** | (246) | (201) |
| UK dividends* | (38) | (26) |
| Unused management expenses | 298 | 238 |
| **Current tax charge for the year (note 6a)** | **116** | **109** |

* As an OEIC this item is not subject to corporation tax.
** Overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.
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 (2010: 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 £1,132,334 (2010: £834,317) 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.

## 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:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Interim accumulation | 1 | - |
| Final income | 41 | 28 |
| Final accumulation | 34 | 47 |
| | 76 | 75 |
| Amounts deducted on cancellation of shares | 13 | 1 |
| Amounts received on issue of shares | (6) | (22) |
| Finance costs: Distributions | 83 | 54 |
| **Total finance cost** | **83** | **54** |
| Net expense after taxation | (188) | (163) |
| Revenue shortfall | 271 | 217 |
| **Finance cost: Distributions** | **83** | **54** |

Details of the distribution per share are set out in the distribution table on page 88.

## 8 Debtors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Accrued revenue | 67 | 54 |
| Amounts receivable for issue of shares | 150 | 1,591 |
| Currency transactions awaiting settlement | 384 | - |
| Overseas withholding tax reclaimable | 77 | 62 |
| Sales awaiting settlement | 299 | 8 |
| **Total debtors** | **977** | **1,715** |

## 9 Cash and bank balances

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Cash and bank balances | 1,821 | 1,894 |
| **Total cash and bank balances** | **1,821** | **1,894** |

## 10 Creditors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Accrued ACD's periodic charge | 105 | 106 |
| Accrued Depositary's fees | 2 | 1 |
| Accrued other expenses | 17 | 43 |
| Amounts payable for cancellation of shares | 109 | 5 |
| Currency transactions awaiting settlement | 373 | - |
| Purchases awaiting settlement | 47 | 157 |
| **Total creditors** | **653** | **312** |

## 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

## 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 the ACD is deemed to be a related party. All transactions and balances associated with the ACD and the Depositary are disclosed within the 'Statement of total return', 'Statement of change in net assets attributable to shareholders' and the 'Balance sheet' on pages 80 and 81 and notes 5, 8 and 10 on pages 83 to 86 including all creations and cancellations where the ACD acted as principal.

Zurich Assurance Ltd , as a material shareholder is a related party holding shares comprising 10.92% (2010:11.30%) of the total net assets of the Fund as at 31 October 2011.

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.

## 13 Shareholder funds

The Fund currently has 5 share classes available; Class A (Retail with front-end charges), Class I (Institutional), Class A Euro (Retail), Class I Euro (Institutional) and Class Z. The annual management charge on each share class is as follows:

| | |
|---|---|
| Class A | 1.50% |
| Class I | 1.00% |
| Class A Euro | 1.50% |
| Class I Euro | 1.00% |
| Class Z | 0.00%* |

* Charges for managing Z class shares are levied outside the Fund and are agreed between the ACD and investors.

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 74. The distribution per share class is given in the distribution table on page 88. All share classes have the same rights on winding up.

## 14 Risk

Risks and policies in respect of financial assets and liabilities are set out in note 2 of the aggregated financial statements on pages 13-14.

### Currency risk

Net currency monetary assets and liabilities consist of:

| Currency | Investments assets including investment liabilities £000 | Net other assets/ (liabilities) £000 | Net assets £000 |
|---|---|---|---|
| **2011** | | | |
| Australian dollar | 1,207 | - | 1,207 |
| Canadian dollar | 1,097 | - | 1,097 |
| Euro | 12,335 | 124 | 12,459 |
| Hong Kong dollar | 2,955 | - | 2,955 |
| Japanese yen | 8,598 | 49 | 8,647 |
| Norwegian krone | - | 1 | 1 |
| Singapore dollar | 1,232 | - | 1,232 |
| Swiss franc | 2,804 | 53 | 2,857 |
| Taiwan dollar | - | 4 | 4 |
| UK sterling | 9,840 | 1,640 | 11,480 |
| US dollar | 50,453 | 17 | 50,470 |
| **Total** | **90,521** | **1,888** | **92,409** |

| Currency | Investments assets including investment liabilities £000 | Net other assets/ (liabilities) £000 | Net assets £000 |
|---|---|---|---|
| **2010** | | | |
| Australian dollar | 1,144 | - | 1,144 |
| Canadian dollar | 1,703 | - | 1,703 |
| Euro | 14,728 | 46 | 14,774 |
| Hong Kong dollar | 2,275 | - | 2,275 |
| Japanese yen | 8,113 | 31 | 8,144 |
| Norwegian krone | - | 2 | 2 |
| Singapore dollar | 955 | - | 955 |
| Swiss franc | 3,122 | 56 | 3,178 |
| Taiwan dollar | - | 4 | 4 |
| UK sterling | 8,767 | 3,166 | 11,933 |
| US dollar | 52,274 | (149) | 52,125 |
| **Total** | **93,081** | **3,156** | **96,237** |

### Interest rate risk profile of the Fund's financial assets and liabilities

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

Interest earned and paid on bank balances during the year was at a variable rate. The interest rates on sterling bank accounts at the end of the year were 0.29% on credit balances (2010: 0.20%) and 1.79% on overdraft balances (2010: 1.70%).

### Sensitivity analysis

In the opinion of the ACD, the use of derivative instruments within the Fund does not have a significant effect on the Fund's operations and, as such, a sensitivity analysis is not deemed appropriate.

# Distribution table for the year ended 31 October 2011 (in pence per share)

## Interim dividend distribution (xd date 30 April 2011, paid on 30 June 2011)

Group 1: shares purchased prior to 1 November 2010

Group 2: shares purchased on or after 1 November 2010

| | Net revenue | Equalisation | Distribution paid 30/06/2011 | Distribution paid 30/06/2010 |
|---|---|---|---|---|
| **Class I Euro accumulation (EUR cent)** | | | | |
| Group 1 | 0.0690 | - | 0.0690 | - |
| Group 2 | 0.0690 | - | 0.0690 | - |

## Final dividend distribution (xd date 31 October 2011, paid on 30 December 2011)

Group 1: shares purchased prior to 1 May 2011

Group 2: shares purchased on or after 1 May 2011

| | Net revenue | Equalisation | Distribution paid 30/12/2011 | Distribution paid 31/12/2010 |
|---|---|---|---|---|
| **Class I income** | | | | |
| Group 1 | 0.6013 | - | 0.6013 | 0.5323 |
| Group 2 | 0.0967 | 0.5046 | 0.6013 | 0.5323 |
| **Class I accumulation** | | | | |
| Group 1 | 0.6172 | - | 0.6172 | 0.5449 |
| Group 2 | 0.0783 | 0.5389 | 0.6172 | 0.5449 |
| **Class I Euro accumulation (EUR cent)** | | | | |
| Group 1 | 0.2743 | - | 0.2743 | - |
| Group 2 | 0.2743 | - | 0.2743 | - |

**Equalisation**

This applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# Manager's report

## Fund Manager

Brian O'Neill and Yu-Jen Shih

## Investment objective and policy

To aim to provide capital growth by investing in companies in any economic sector and any area of the world.

## Performance summary

Over the year, the Fund fell by 0.4% compared with a 1.3% increase by the MSCI World index.

**Discrete annual performance**

| | 1 Nov 10-<br>31 Oct 11<br>% | 1 Nov 09-<br>31 Oct 10<br>% | 1 Nov 08-<br>31 Oct 09<br>% | 1 Nov 07-<br>31 Oct 08<br>% | 1 Nov 06-<br>31 Oct 07<br>% |
|---|---|---|---|---|---|
| **Henderson International Fund** | (0.4) | 19.3 | 21.2 | (28.8) | 23.7 |
| **MSCI World Index** | 1.3 | 16.8 | 16.9 | (24.8) | 11.1 |

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

Please remember that past performance is not a guide to future performance. The value of an investment and the income 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 October 2011

| Purchases | £000 | Sales | £000 |
|---|---|---|---|
| Qualcomm | 1,704 | Bank of China | 2,086 |
| HSBC | 1,546 | HSBC | 1,338 |
| Kansas City Southern Industries | 1,473 | CSX | 1,285 |
| Prada | 1,393 | Yamaha | 1,140 |
| Intuit | 1,387 | Rio Tinto | 1,096 |
| Bank of China | 1,331 | Cisco Systems | 1,072 |
| International Power | 1,287 | Essar Energy | 1,069 |
| Dollar General | 1,238 | Pepsico | 1,052 |
| Standard Chartered | 1,160 | Republic Services | 1,011 |
| SGS | 1,148 | Microsoft | 1,010 |

### Activity

As the global economic recovery continued to show signs of maturing and broadening, global equities performed strongly from the start of the reporting period until the end of July. Investors remained stoical, with equities delivering double-digit returns from October 2010 to mid-July 2011, despite the European Union/International Monetary Fund bail out of Ireland and Portugal, the Japanese earthquake, tsunami and nuclear fallout trifecta, increased turmoil in the Middle East and North Africa, intensifying European sovereign debt woes and emerging markets policy tightening. However, at the end of July when the US lost its prized triple A debt rating and a possible Greek debt default shook the eurozone, investors sought the safety of government bonds and equities fell dramatically during August and September, before staging a recovery in October. Overall, the MSCI World Index in local terms finished the twelve-month period up 0.8% (1.3% in sterling terms).

The management of the Fund transitioned to Brian O'Neil and Yu-Jen Shih, following the departure of Manraj Sekhon from Henderson. Yu-Jen has been involved in the management of the portfolio since he joined Henderson in 2007 and Brian joined Henderson through the acquisition of Gartmore. Brian brings over forty years of equity investment experience to the fund management team, the last ten as a growth-biased global equity investor. We do not foresee any changes to the management style of the Fund.

During the period the Fund underperformed its benchmark. Within regions, stock selection in emerging markets detracted the most from returns, offsetting a positive contribution from continental Europe and North America, while sector weakness in the energy sector offset positive information technology and consumer discretionary selections.

Within the energy sector the main negative contributor was a position in UK-listed Indian energy company Essar Energy. The company is exposed to India's increasing energy demands, with plans to materially increase their power generation. However, the company suffered a setback when they were refused a licence to mine their captive coal assets to supply their power stations. While this is being settled, Essar is exposed to the rising coal spot price, and this uncertainty led to sharp declines in the share price and increased concern over management's plans. As this is largely a binary outcome with an uncertain duration we have chosen to exit the holding. This more than offset the recovery in Anadarko's share price, which was negatively impacted by its involvement in the Gulf of Mexico oil disaster last year. The company reached a favourable settlement with partner BP.

By region, emerging markets stock selection was the most detrimental to performance. We entered October 2010 with a lower than historical weight in emerging markets due to concerns over the need for emerging countries, and Asia in particular, to tackle rampant growth and rising inflation. However, the Fund's remaining positions proved negative. Along with Essar, Chinese positions in sportswear manufacturer 361 Degrees, shipbuilder China Rongsheng and Bank of China all underperformed as the market went though a period of concern over growth and the possibility of increasing bad debts. Again we took the decision to exit these positions. We have kept positions, however, in Sands China which continues to benefit from rising gaming revenues in Macau, as well as Petrobras, which is well positioned to benefit from the vast oil and gas reserves it has off the coast of Brazil. US stock selection was the standout positive contributor with positions in specialist mattress manufacturer Tempur-Pedic, Apple, railroad company Kansas City Southern and dollar store Dollar General all delivering double-digit positive returns.

During the period the portfolio increased its exposure to more defensive growth stocks, adding to companies such as Unilever and dollar store Dollar General in consumer staples. We also increased positions exposed to strong growth themes such as luxury and IT spending. This was done by adding a new position in Prada and adding to Swiss luxury goods manufacturer Richemont and introducing a new position in information technology software company SAP.

Undoubtedly, the near-term focus will remain on the eurozone government debt problems, the capital adequacy of banks exposed to potential reductions to this debt, and the potential break-up of the euro. This uncertainty is impacting economic growth, with data in Europe and Asia weakening. Economic data in the US, however, appears to be on a more robust path. The recent market corrections have arguably adjusted to reflect much of this uncertainty, and this accounts somewhat for October's rally. We could see equities firmer into year-end on positive corporate, economic or political news flow. Additionally, third quarter corporate earnings have generally remained robust (with the exception of financials). Although the outlook is muted, narrow money liquidity indicators are turning positive in the US. In this uncertain environment we continue to invest in companies which we believe can grow their earnings and are able to attract a premium.

Brian O'Neill and Yu-Jen Shih
1 December 2011

# Comparative tables as at 31 October 2011

## 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 X accumulation** | | | | |
| 31/10/2009 | 43,714,502 | 118,438 | 27,214 | 435.21 |
| 31/10/2010 # | 50,957,326 | - | - | - |
| **Class A accumulation** | | | | |
| 31/10/2009 | 43,714,502 | 42,614,005 | 9,361,652 | 455.20 |
| 31/10/2010 | 50,957,326 | 49,924,518 | 9,067,130 | 550.61 |
| 31/10/2011 | 48,282,271 | 47,322,288 | 8,809,220 | 537.19 |
| **Class I accumulation** | | | | |
| 31/10/2009 | 43,714,502 | 982,059 | 201,598 | 487.14 |
| 31/10/2010 | 50,957,326 | 1,032,808 | 173,723 | 594.51 |
| 31/10/2011 | 48,282,271 | 959,983 | 163,948 | 585.54 |

# X share class merged with A shared class on 11 January 2010.

## Performance record

| Calendar year | Net revenue (pence per share) | Highest price (pence per share) | Lowest price (pence per share) |
|---|---|---|---|
| **Class X accumulation** | | | |
| 2006 | - | 454.10 | 384.30 |
| 2007 | - | 537.70 | 429.90 |
| 2008 | - | 536.20 | 325.30 |
| 2009 | 0.94 | 483.80 | 328.50 |
| 2010 # | - | 494.60 | 476.10 |
| **Class A accumulation** | | | |
| 2006 | - | 466.50 | 395.20 |
| 2007 | - | 557.30 | 443.40 |
| 2008 | 0.45 | 555.70 | 338.60 |
| 2009 | 3.06 | 506.50 | 342.50 |
| 2010 | - | 590.00 | 480.30 |
| 2011 | -* | 594.30+ | 478.10+ |
| **Class I accumulation** | | | |
| 2006 | - | 486.30 | 412.60 |
| 2007 | - | 588.40 | 465.00 |
| 2008 | 4.48 | 587.70 | 359.80 |
| 2009 | 6.57 | 542.60 | 364.70 |
| 2010 | 1.69 | 638.00 | 514.90 |
| 2011 | 4.48* | 642.80+ | 520.10+ |

* to 30 December
\+ to 31 October
\# X share class merged with A shared class on 11 January 2010.

# Total expense ratio

The annualised total expense ratio (TER) of the Fund, based on the total expenses included within the financial statements for the year as indicated below:

| | 2011<br>% | 2010<br>% |
|---|---|---|
| **Class A** | 1.77 | 1.75 |
| **Class I** | 0.83 | 0.85 |

The TER of the Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.

# Portfolio statement as at 31 October 2011

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Equities 97.34% (2010: 97.86%)** | | |
| | **Bermuda 1.57% (2010: 2.43%)** | | |
| 44,700 | Lazard | 757 | 1.57 |
| | **Brazil 0.92% (2010: 1.48%)** | | |
| 26,400 | Petroleo Brasileiro | 442 | 0.92 |
| | **Cayman Island 1.63% (2010: 4.97%)** | | |
| 412,400 | Sands China | 786 | 1.63 |
| | **China 0.00% (2010: 3.83%)** | | |
| | **Germany 4.75% (2010: 2.45%)** | | |
| 19,430 | Fresenius | 1,201 | 2.49 |
| 28,977 | SAP | 1,093 | 2.26 |
| | | 2,294 | 4.75 |
| | **France 0.00% (2010: 1.10%)** | | |
| | **India 0.00% (2010: 2.25%)** | | |
| | **Italy 6.44% (2010: 1.37%)** | | |
| 54,649 | Luxottica Group | 1,007 | 2.09 |
| 361,700 | Prada | 1,120 | 2.32 |
| 35,049 | Saipem | 980 | 2.03 |
| | | 3,107 | 6.44 |
| | **Japan 9.26% (2010: 8.96%)** | | |
| 5,904 | Keyence | 947 | 1.96 |
| 139,000 | Kubota | 724 | 1.50 |
| 52,300 | Makita | 1,234 | 2.56 |
| 11,000 | SMC | 1,083 | 2.24 |
| 23,500 | Softbank | 483 | 1.00 |
| | | 4,471 | 9.26 |
| | **Netherlands 1.27% (2010: 1.35%)** | | |
| 27,577 | Randstad | 614 | 1.27 |
| | **Panama 2.10% (2010: 2.09%)** | | |
| 46,500 | Carnival | 1,014 | 2.10 |
| | **Singapore 2.30% (2010: 3.42%)** | | |
| 236,500 | Keppel | 1,111 | 2.30 |

# Portfolio statement (continued)

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Spain 0.00% (2010: 0.79%)** | | |
| | **Switzerland 6.01% (2010: 6.60%)** | | |
| 46,694 | ABB | 555 | 1.15 |
| 33,004 | Compagnie Financiere Richemont | 1,179 | 2.44 |
| 1,089 | SGS | 1,170 | 2.42 |
| | | 2,904 | 6.01 |
| | **Taiwan 0.00% (2010: 1.22%)** | | |
| | **United Kingdom 9.77% (2010: 14.03%)** | | |
| 328,105 | International Power | 1,110 | 2.30 |
| 151,123 | Serco | 785 | 1.63 |
| 36,724 | Shire | 716 | 1.48 |
| 72,309 | Unilever | 1,508 | 3.12 |
| 57,151 | Xstrata | 598 | 1.24 |
| | | 4,717 | 9.77 |
| | **United States 51.32% (2010: 39.52%)** | | |
| 48,300 | American Tower | 1,648 | 3.42 |
| 30,400 | Anadarko Petroleum | 1,481 | 3.07 |
| 8,830 | Apple | 2,215 | 4.59 |
| 59,000 | Dollar General | 1,451 | 3.00 |
| 34,200 | Emerson Electric | 1,020 | 2.11 |
| 39,390 | Express Scripts | 1,116 | 2.31 |
| 25,200 | Hess | 977 | 2.02 |
| 46,300 | Intuit | 1,540 | 3.19 |
| 40,300 | Kansas City Southern Industries | 1,577 | 3.27 |
| 120,000 | KKR | 1,001 | 2.07 |
| 36,000 | Mead Johnson | 1,600 | 3.31 |
| 23,300 | Praxair | 1,467 | 3.04 |
| 49,000 | Qualcomm | 1,567 | 3.24 |
| 81,779 | Standard Chartered | 1,193 | 2.47 |
| 36,100 | Tempur Pedic | 1,522 | 3.15 |
| 31,700 | Thermo Fisher Scientific | 986 | 2.04 |
| 35,800 | United Parcel Service | 1,558 | 3.23 |
| 40,000 | Walt Disney | 864 | 1.79 |
| | | 24,783 | 51.32 |
| | **Investment assets** | **47,000** | **97.34** |
| | Net other assets | 1,282 | 2.66 |
| | **Net assets** | **48,282** | **100.00** |

## Statement of total return for the year ended 31 October 2011

| | Notes | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Net capital (losses)/gains | **2** | | (1,077) | | 9,354 |
| Revenue | **4** | 835 | | 604 | |
| Expenses | **5** | (872) | | (847) | |
| Finance costs: Interest | **7** | - | | (2) | |
| Net expense before taxation | | (37) | | (245) | |
| Taxation | **6** | (68) | | (51) | |
| Net expense after taxation | | | (105) | | (296) |
| **Total return before distributions** | | | (1,182) | | 9,058 |
| Finance costs: Distributions | **7** | | (7) | | (3) |
| **Change in net assets attributable to shareholders from investment activities** | | | **(1,189)** | | **9,055** |

## Statement of change in net assets attributable to shareholders for the year ended 31 October 2011

| | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|
| **Opening net assets attributable to shareholders** | | **50,957** | | **43,715** |
| Amounts receivable on issue of shares | 390 | | 336 | |
| Amounts payable on cancellation of shares | (1,883) | | (2,152) | |
| | | (1,493) | | (1,816) |
| Change in net assets attributable to shareholders from investment activities (see above) | | (1,189) | | 9,055 |
| Retained distributions on accumulation shares | | 7 | | 3 |
| **Closing net assets attributable to shareholders** | | **48,282** | | **50,957** |

# Balance sheet as at 31 October 2011

| | Notes | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investment assets | | | 47,000 | | 49,869 |
| Debtors | 8 | 111 | | 1,128 | |
| Cash and bank balances | 9 | 1,554 | | 389 | |
| Total other assets | | | 1,665 | | 1,517 |
| **Total assets** | | | 48,665 | | 51,386 |
| **Liabilities** | | | | | |
| Creditors | 10 | 233 | | 134 | |
| Bank overdrafts | | 150 | | 295 | |
| Total other liabilities | | | 383 | | 429 |
| **Total liabilities** | | | 383 | | 429 |
| **Net assets attributable to shareholders** | | | **48,282** | | **50,957** |

# Notes to the financial statements as at 31 October 2011

## 1 Accounting policies

The accounting policies are set out in note 1 of the aggregated financial statements on pages 11 to 13.

## 2 Net capital (losses)/gains

Net capital (losses)/gains on investments during the year comprise:

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Forward currency contracts | - | 2 |
| Non-derivative securities | (1,082) | 9,468 |
| Other currency gains/(losses) | 9 | (111) |
| Transaction costs | (4) | (5) |
| **Net capital (losses)/gains** | **(1,077)** | **9,354** |

## 3 Portfolio transaction costs

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Purchases in year before transaction costs | 31,225 | 24,974 |
| Commissions | 57 | 52 |
| Taxes | 31 | 8 |
| Total purchase transaction costs* | 88 | 60 |
| **Purchases including transaction costs** | **31,313** | **25,034** |
| Sales in year before transaction costs | 33,158 | 27,219 |
| Commissions | (52) | (51) |
| Taxes | (6) | (7) |
| Total sale transaction costs* | (58) | (58) |
| **Sales net of transaction costs** | **33,100** | **27,161** |
| **Transaction handling charges*** | **4** | **5** |

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

## 4 Revenue

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Bank interest | 5 | 1 |
| Overseas dividends | 694 | 518 |
| UK dividends | 136 | 74 |
| Stock lending revenue | - | 11 |
| **Total revenue** | **835** | **604** |

## 5 Expenses

| | 2011 £000 | 2010 £000 |
|---|---|---|
| **Payable to the ACD, associates of the ACD and agents of either of them:** | | |
| ACD's periodic charge | 755 | 726 |
| General administration charge* | 126 | 94 |
| Sub registration fees | - | 1 |
| | 881 | 821 |
| **Payable to the Depositary, associates of the Depositary and agents of either of them:** | | |
| Depositary fees | 6 | 6 |
| Safe custody fees | 4 | 5 |
| | 10 | 11 |
| **Other expenses:** | | |
| Audit fees | - | 2 |
| Dividend collection charges | - | 1 |
| Printing and postage | - | 2 |
| Registration fees | - | 10 |
| Prior year over accrual | (19) | - |
| | (19) | 15 |
| **Total expenses** | **872** | **847** |

Irrecoverable VAT is included in the above expenses where relevant.
* The current audit fee is £9,240 (2010: £9,086). The audit fee levied through the GAC charge is £9,240 (2010: £7,095).

## 6 Taxation

### (a) Analysis of charge in the year

The tax charge comprises:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Overseas tax reclaims | (21) | (16) |
| Overseas withholding tax | 89 | 67 |
| **Total current tax (note 6b)** | **68** | **51** |

## 6 Taxation (continued)

### (b) Factors affecting current tax charge for year

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

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Net expense before taxation | (37) | (245) |
| Corporation tax at 20% (2010: 20%) | (7) | (49) |
| Effects of: | | |
| Irrecoverable income tax | 68 | 51 |
| Non-Taxable overseas dividends ** | (132) | (98) |
| Other income | (2) | - |
| UK dividends* | (25) | (15) |
| Unused management expenses | 166 | 162 |
| **Current tax charge for the year (note 6a)** | **68** | **51** |

* As an OEIC, this item is not subject to corporation tax.

**Overseas dividends are not subject to corporation tax from 1 July 2009 due to changes enacted in the Finance Act 2009.

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 (2010: nil).

### (d) Factors that may affect future tax charges

The Fund has not recognised a deferred tax asset of £1,360,177 (2010: £1,192,753) arising as a result of having unused management expenses. It is unlikley that the Fund will obtain relief for these in the future so no deferred tax asset has been recognised.

There are no factors that may affect future tax charges at the current or prior accounting year end.

## 7 Finance costs

### Distributions and interest

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Final accumulation | 7 | 3 |
| Finance costs: Distributions | 7 | 3 |
| Finance costs: Interest | - | 2 |
| **Total finance costs** | **7** | **5** |
| Net expense after taxation | (105) | (296) |
| Revenue shortfall | 112 | 299 |
| **Finance cost: Distributions** | **7** | **3** |

Details of the distribution per share are set out in the distribution table on page 104.

## 8 Debtors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Accrued revenue | 21 | 33 |
| Overseas withholding tax reclaimable | 90 | 65 |
| Sales awaiting settlement | - | 1,030 |
| **Total debtors** | **111** | **1,128** |

## 9 Cash and bank balances

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Cash and bank balances | 1,554 | 389 |
| **Total cash and bank balances** | **1,554** | **389** |

## 10 Creditors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Accrued ACD's periodic charge | 57 | 64 |
| Accrued Depositary's fees | 1 | - |
| Accrued other expenses | 15 | 41 |
| Amounts payable for cancellation of shares | 8 | 29 |
| Purchases awaiting settlement | 152 | - |
| **Total creditors** | **233** | **134** |

## 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

## 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 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 96 and 97 and notes 5, 8 and 10 on pages 99 to 101 including all creations and cancellations where the ACD acted as principal.

Pearl Assurance Public Ltd, as a material shareholder, was a related party holding shares comprising nil (2010: 54.7%) of the total net assets of the Fund as at 31 October 2011.

State Street Nominees Limited, as a material shareholder, is a related party holding shares comprising 56.34% (2010: nil) of the total net assets of the Fund as at 31 October 2011.

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.

## 13 Shareholder funds

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

Class A 1.50%
Class I 0.75%
Class Z 0.00%*

* Charges for managing Z class shares are levied outside the sub fund and are agreed between the ACD and investors.

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 91. The distribution per share class is given in the distribution table on page 104. All shareholders have equal rights on winding up.

## 14 Risk

Risks and policies in respect of financial assets and liabilities are set out in note 2 of the aggregated financial statements on pages 13-14.

**Currency Risk**

Net currency monetary assets and liabilities consist of:

| Currency | Investment assets including derivative liabilities £000 | Net other assets £000 | Net assets £000 |
|---|---|---|---|
| **2011** | | | |
| Euro | 4,895 | 11 | 4,906 |
| Hong Kong dollar | 1,906 | - | 1,906 |
| Japanese yen | 4,471 | 20 | 4,491 |
| Singapore dollar | 1,111 | - | 1,111 |
| Swiss franc | 2,904 | 72 | 2,976 |
| UK sterling | 5,910 | 1,175 | 7,085 |
| US dollar | 25,803 | 4 | 25,807 |
| **Total** | **47,000** | **1,282** | **48,282** |

| Currency | Investment assets including derivative liabilities £000 | Net other assets £000 | Net assets £000 |
|---|---|---|---|
| **2010** | | | |
| Euro | 3,600 | 9 | 3,609 |
| Hong Kong dollar | 4,484 | - | 4,484 |
| Japanese yen | 4,564 | 15 | 4,579 |
| Singapore dollar | 1,741 | 1 | 1,742 |
| Swiss franc | 3,366 | 1,085 | 4,451 |
| Taiwan dollar | 624 | 6 | 630 |
| UK sterling | 7,144 | (31) | 7,113 |
| US dollar | 24,346 | 3 | 24,349 |
| **Total** | **49,869** | **1,088** | **50,957** |

**Interest rate risk profile of financial assets and financial liabilities**

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

Interest earned and paid on bank balances during the year was at a variable rate. The interest rates on sterling bank accounts at the end of the year were 0.29% on credit balances (2010: 0.20%) and 1.79% on overdraft balances (2010: 1.70%).

**Sensitivity analysis**

In the opinion of the ACD, the use of derivative instruments within the Fund does not have a signficiant effect on the Fund's operations and as such a sensitivity analysis is not deemed appropriate.

# Distribution table for the year ended 31 October 2011 (in pence per share)

### Final dividend distribution (xd date 31 October 2011, paid on 30 December 2011)

| | Net revenue | Distribution paid 30/12/11 | Distribution paid 31/12/10 |
|---|---|---|---|
| **Class I accumulation** | 4.4752 | 4.4752 | 1.6879 |

# Manager's report

## Fund Manager

Michael Wood-Martin

## Investment objective and policy

To aim to provide capital growth by investing in Japanese companies. The Fund is not restricted in the size of companies in which it can invest.

## Performance summary

Over the year, the Fund rose by 5.5% compared with a 3.1% decrease in the MSCI Japan Index.

**Discrete annual performance**

| | 1 Nov 10-<br>31 Oct 11<br>% | 1 Nov 09-<br>31 Oct 10<br>% | 1 Nov 08-<br>31 Oct 09<br>% | 1 Nov 07-<br>31 Oct 08<br>% | 1 Nov 06-<br>31 Oct 07<br>% |
|---|---|---|---|---|---|
| **Henderson Japan Capital Growth Fund** | 5.5 | 7.1 | 7.5 | (15.9) | (10.4) |
| **MSCI Japan Index** | (3.1) | 8.2 | 11.7 | (19.5) | (3.7) |

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

Please remember that past performance is not a guide to future performance. The value of an investment and the income 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 October 2011

| Purchases | £000 | Sales | £000 |
|---|---|---|---|
| Mitsui O.S.K Lines | 1,419 | NTT DoCoMo | 1,191 |
| Yamada Denki | 945 | Inpex | 926 |
| THK | 902 | Takeda Pharmaceutical | 741 |
| TDK | 860 | Yamato Holdings | 666 |
| Rakuten | 781 | Bridgestone | 613 |
| Nintendo | 682 | Shin-Etsu Chemical | 609 |
| Oracle | 642 | Renesas Electronics | 572 |
| Asahi Breweries | 547 | Yamada Denki | 406 |
| Murata Manufacturing | 528 | TDK | 354 |
| Keyence | 523 | Daiwa House Industries | 334 |

## Review

The period started with promise. A reversal in the strength of global bond markets and in the value of the yen alleviated downward pressure on the Japanese stockmarket. Equities rose strongly in the ensuing months, catching up with rising trends in markets elsewhere. Unfortunately, that was the end of the good news as thereafter it was a matter of coming to terms with the devastating earthquake, which struck parts of northern Japan in early March. Disruptions to power supplies and production facilities were severe, although restorative efforts were fast and efficient. Equities fell sharply in the immediate aftermath of the disaster and had only begun to recover when problems in other parts of the world, notably within Europe, weighed on the market. Renewed strength in the yen, despite the Bank of Japan's intervention efforts, provided a further headwind for recovery. The Nikkei 225 index fell 2.3% over the year in local currency terms and was flat in sterling terms.

## Performance

The Fund's performance was driven by stocks related to the domestic economy. The commitment to consumer-based areas of the market had the most beneficial impact, with Rakuten (e-commerce) being the largest contributor as the trend in online shopping continues to grow. Yamato Holdings (logistics) and Yamada Denki (electronic retailing) also contributed on the consumption theme. There were also positive contributions from Credit Saison (credit cards), as underlying business conditions improved, and Inpex (oil exploration), where the share price recovered following a secondary placing. The Fund's lack of exposure to the utility sector had a positive impact as related share prices fell in response to the earthquake. The largest detractor was Nintendo (games) where the immediate outlook for the company's business deteriorated. Much the same could be said for TDK (electronics) and Mitsui OSK (shipping), which also performed poorly. As a general review, sectors with a domestic bias prevailed over companies dependent on overseas demand.

## Activity

There were a number of transactions, largely towards the end of the period, in response to market movements which favoured a more aggressive stance within the portfolio. These included the removal of Takeda Pharmaceutical and NTT DoCoMo, Japan's largest mobile-phone operator. The former has been on the acquisition trail and this expense could undermine the dividend payment, which would be taken negatively by investors. The latter may encounter a more acute pricing environment as a competitor has moved to a lower pricing structure, which could be negative for investors. THK (machinery) was re-introduced to the portfolio as the share price had collapsed on fears of slowing business, predominately out of China. The price action was such that much, if not all, of the potential deterioration in business conditions had been discounted, thus providing an attractive risk / return investment profile. Oracle Japan (software) was favoured over NSD (software) as the former has greater opportunity in the growing area of cloud computing. The switch earlier in the period out of Bridgestone (tyres) into Mitsui OSK (shipping) was impacted by the unforeseen disaster in Japan and has yet to come good. The bias of the portfolio has remained the same for some time with domestic sectors being favoured over export facing industries. This positioning is likely to persist.

## Outlook

Whilst there has been much publicity over the travails within Europe in recent months, the outlook for global growth is a more important and pressing issue. Growth expectations have been revised lower with major economies anticipated to barely expand in the year ahead. In this regard, Japan should fare better as reconstruction demand is expected to offset any slowdown from the export sector. Public sector spending is likely to increase and, coupled with a continuing expansion in the housing market, the outlook for consumption should remain solid. With equities close to multi-year lows, after what has been a very difficult year for Japan, one would hope that the way ahead will be more prosperous for both the country and its equity market investors.

Michael Wood-Martin
21 November 2011

# Comparative tables as at 31 October 2011

## 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 X accumulation** | | | | |
| 30/10/2009* | 29,920,782 | 42,477 | 30,026 | 141.46 |
| **Class A accumulation** | | | | |
| 31/10/2009 | 29,920,782 | 17,788,140 | 12,024,234 | 147.94 |
| 31/10/2010 | 28,582,208 | 17,501,536 | 11,236,076 | 155.76 |
| 31/10/2011 | 33,646,495 | 17,142,999 | 10,524,701 | 162.88 |
| **Class I accumulation** | | | | |
| 31/10/2009 | 29,920,782 | 12,090,165 | 7,809,103 | 154.82 |
| 31/10/2010 | 28,582,208 | 11,080,672 | 6,798,089 | 162.99 |
| 31/10/2011 | 33,646,495 | 16,503,496 | 9,553,805 | 172.74 |

* X share class merged with A share class on 11 January 2010.

## Performance record

| Calendar year | Net revenue (pence per share) | Highest price (pence per share) | Lowest price (pence per share) |
|---|---|---|---|
| **Class X accumulation** | | | |
| 2007 | - | 180.50 | 144.10 |
| 2008 | - | 160.50 | 118.70 |
| 2009 | 0.05 | 155.70 | 117.00 |
| 2010** | - | 146.90 | 139.80 |
| **Class A accumulation** | | | |
| 2006 | - | 210.10 | 169.60 |
| 2007 | - | 186.20 | 149.20 |
| 2008 | 0.28 | 166.60 | 123.40 |
| 2009 | 0.99 | 162.20 | 121.90 |
| 2010 | 0.59 | 181.70 | 146.30 |
| 2011 | 0.72* | 183.40+ | 152.10+ |
| **Class I accumulation** | | | |
| 2006 | - | 216.10 | 174.70 |
| 2007 | - | 192.30 | 154.60 |
| 2008 | 1.10 | 173.20 | 128.50 |
| 2009 | 1.64 | 169.00 | 127.20 |
| 2010 | 1.70 | 191.60 | 153.30 |
| 2011 | 1.71* | 193.60+ | 160.60+ |

* to 30 December
+ to 31 October
** X share class merged with A share class on 11 January 2010

# Total expense ratio

The annualised total expense ratio (TER) of the Fund, based on the total expenses included within the financial statements for the year as indicated below:

| | 2011 | 2010 |
|---|---|---|
| | % | % |
| **Class A** | 1.76 | 1.78 |
| **Class I** | 1.08 | 1.13 |

The TER of the Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.

# Portfolio statement as at 31 October 2011

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Equities 97.29% (2010: 96.66%)** | | |
| | **Consumer goods 13.99% (2010: 13.86%)** | | |
| 76,500 | Asahi Breweries | 984 | 2.92 |
| 126,000 | Daiwa House Industries | 985 | 2.93 |
| 9,900 | Nintendo | 941 | 2.80 |
| 180,000 | Sekisui Chemical | 887 | 2.64 |
| 54,400 | Seven & i | 910 | 2.70 |
| | | 4,707 | 13.99 |
| | **Consumer services 14.68% (2010: 15.29%)** | | |
| 22,100 | Benesse | 590 | 1.75 |
| 29,880 | Hakuhodo | 1,023 | 3.04 |
| 9,470 | Nippon TV Network | 841 | 2.50 |
| 90,100 | Tokyo Broadcasting | 697 | 2.07 |
| 39,630 | Yamada Denki | 1,788 | 5.32 |
| | | 4,939 | 14.68 |
| | **Financials 23.12% (2010: 23.87%)** | | |
| 82,500 | Credit Saison | 1,027 | 3.05 |
| 802 | Dai-Ichi Life Insurance | 578 | 1.72 |
| 442,000 | Daiwa Securities | 980 | 2.91 |
| 641,000 | Mitsubishi UFJ Financial | 1,757 | 5.22 |
| 1,127,700 | Mizuho Financial | 995 | 2.96 |
| 78,300 | Sumitomo Mitsui Financial | 1,379 | 4.10 |
| 70,800 | Tokio Marine Holdings | 1,064 | 3.16 |
| | | 7,780 | 23.12 |
| | **Health care 0.00% (2010: 2.51%)** | | |
| | **Industrials 29.17% (2010: 23.63%)** | | |
| 219 | Inpex | 914 | 2.72 |
| 7,900 | Keyence | 1,267 | 3.76 |
| 381,000 | Mitsui O.S.K Lines | 929 | 2.76 |
| 30,700 | Murata Manufacturing | 1,082 | 3.22 |
| 28,000 | Sankyo | 918 | 2.73 |
| 23,200 | Secom | 690 | 2.05 |
| 32,600 | Shin-Etsu Chemical | 1,057 | 3.14 |
| 39,700 | TDK | 1,027 | 3.05 |
| 80,600 | THK | 994 | 2.95 |
| 90,300 | Yamato Holdings | 938 | 2.79 |
| | | 9,816 | 29.17 |

# Portfolio statement (continued)

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Technology 13.29% (2010: 11.09%)** | | |
| 48,800 | Canon | 1,396 | 4.15 |
| 62,900 | NS Solutions | 868 | 2.58 |
| 31,300 | Oracle | 678 | 2.01 |
| 2,237 | Rakuten | 1,528 | 4.55 |
| | | 4,470 | 13.29 |
| | **Telecommunications 3.04% (2010: 6.41%)** | | |
| 32,000 | Nippon Telegraph & Telephone | 1,023 | 3.04 |
| | **Investment assets** | **32,735** | **97.29** |
| | Net other assets | 911 | 2.71 |
| | **Net assets** | **33,646** | **100.00** |

## Statement of total return for the year ended 31 October 2011

| | Note | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Net capital gains | **2** | | 1,288 | | 1,310 |
| Revenue | **4** | 734 | | 686 | |
| Expenses | **5** | (444) | | (456) | |
| Finance costs: Interest | **7** | - | | - | |
| Net revenue before taxation | | 290 | | 230 | |
| Taxation | **6** | (51) | | (48) | |
| Net revenue after taxation | | | 239 | | 182 |
| **Total return before distributions** | | | **1,527** | | **1,492** |
| Finance costs: Distributions | **7** | | (239) | | (182) |
| **Change in net assets attributable to shareholders from investment activities** | | | **1,288** | | **1,310** |

## Statement of change in net assets attributable to shareholders for the year ended 31 October 2011

| | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|
| **Opening net assets attributable to shareholders** | | **28,582** | | **29,921** |
| Amounts receivable on issue of shares | 7,729 | | 2,824 | |
| Amounts payable on cancellation of shares | (4,192) | | (5,655) | |
| | | 3,537 | | (2,831) |
| Change in net assets attributable to shareholders from investment activities (see above) | | 1,288 | | 1,310 |
| Retained distribution on accumulation shares | | 239 | | 182 |
| **Closing net assets attributable to shareholders** | | **33,646** | | **28,582** |

# Balance sheet as at 31 October 2011

| | Notes | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investment assets | | | 32,735 | | 27,627 |
| Debtors | **8** | 264 | | 212 | |
| Cash and bank balances | **9** | 716 | | 894 | |
| Total other assets | | | 980 | | 1,106 |
| **Total assets** | | | 33,715 | | 28,733 |
| **Liabilities** | | | | | |
| Creditors | **10** | 69 | | 151 | |
| Total other liabilities | | | 69 | | 151 |
| **Total liabilities** | | | 69 | | 151 |
| **Net assets attributable to shareholders** | | | **33,646** | | **28,582** |

## 1 Accounting policies

The accounting policies are set out in note 1 of the aggregated financial statements on pages 11 to 13.

## 2 Net capital gains

Net capital gains on investments during the year comprise:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Forward currency contracts | - | (18) |
| Non-derivative securities | 1,285 | 1,309 |
| Other currency gains | 6 | 21 |
| Transaction costs | (3) | (2) |
| **Net capital gains** | **1,288** | **1,310** |

## 3 Portfolio transaction costs

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Purchases in year before transaction costs | 13,793 | 8,315 |
| Commissions | 18 | 10 |
| Total purchase transaction costs* | 18 | 10 |
| **Purchases including transaction costs** | **13,811** | **8,325** |
| Sales in year before transaction costs | 10,001 | 11,686 |
| Commissions | (13) | (19) |
| Total sale transaction costs* | (13) | (19) |
| **Sales net of transaction costs** | **9,988** | **11,667** |
| **Transaction handling charges*** | **3** | **2** |

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

## 4 Revenue

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Bank interest | 3 | 1 |
| Overseas dividends | 728 | 681 |
| Stock lending revenue | 3 | 4 |
| **Total revenue** | **734** | **686** |

## 4 Revenue (continued)

**Stock lending details**

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Aggregate value of securities on loan at the year end | - | 405 |

The aggregate value of securities at the year end and during the year subject to stock lending was fully secured. All collateral held was in the form of securities. The aggregate value of collateral at the year end was £NIL (2010: £428,894).

## 5 Expenses

| | 2011 £000 | 2010 £000 |
|---|---|---|
| **Payable to the ACD, associates of the ACD and agents of either of them:** | | |
| ACD's periodic charge | 404 | 391 |
| General administration charge* | 52 | 43 |
| Sub registration fees | - | 5 |
| | 456 | 439 |
| **Payable to the Depositary, associates of the Depositary and agents of either of them:** | | |
| Depositary fees | 4 | 4 |
| Safe custody fees | 2 | 2 |
| | 6 | 6 |
| **Other expenses:** | | |
| Audit fees | - | 2 |
| Printing and postage fees | - | 3 |
| Prior year over accrual | (18) | - |
| Registration fees | - | 6 |
| | (18) | 11 |
| **Total expenses** | **444** | **456** |

Irrecoverable VAT is included in the above expenses where relevant.

* The current audit fee is £9,240 (2010:£9,086). The audit fee levied through the GAC charge is £9,240 (2010:£7,291).

## 6 Taxation

### (a) Analysis of charge in the year

The tax charge comprises:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Overseas withholding tax | 51 | 48 |
| **Total current tax (note 6b)** | **51** | **48** |

### (b) Factors affecting current tax charge for year

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

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Net revenue before taxation | 290 | 230 |
| Corporation tax at 20% (2010: 20%) | 58 | 46 |
| Effects of: | | |
| Irrecoverable overseas tax | 51 | 48 |
| Non-taxable overseas dividends * | (146) | (136) |
| Unused management expenses | 88 | 90 |
| **Current tax charge for the year (note 6a)** | **51** | **48** |

*Overseas dividends are not subject to corporation tax from 1st July 2009 due to changes enacted in the Finance Act 2009.
OEICs are exempt from tax on capital gains made within 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 (2010: 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 £1,934,078 (2010: £1,846,481) 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.

## 7 Finance costs

**Distributions and interest**

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Final accumulation | 239 | 182 |
| | **239** | **182** |
| Finance costs: Distributions | 239 | 182 |
| Finance costs: Interest | - | - |
| **Total finance cost** | **239** | **182** |

Details of the distribution per share are set out in the distribution table on page 120.

## 8 Debtors

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Accrued revenue | 262 | 208 |
| Amounts receivable for issue of shares | 2 | 4 |
| **Total debtors** | **264** | **212** |

## 9 Cash and bank balances

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Cash and bank balances | 716 | 894 |
| **Total cash and bank balances** | **716** | **894** |

## 10 Creditors

| | 2011<br>£000 | 2010<br>£000 |
|---|---|---|
| Accrued ACD's periodic charge | 37 | 32 |
| Accrued other expenses | 5 | 27 |
| Amounts payable for cancellation of shares | 27 | 92 |
| **Total creditors** | **69** | **151** |

### 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

### 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 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 112 and 113 and notes 5, 8 and 10 on pages 115 to 117 including all creations and cancellations where the ACD acted as principal.

HSBC Global Custody Nominees Limited, as a material shareholder, is a related party holding shares comprising 33.38% (2010: Nil) of the total the total assets of the Fund as at 31 October 2011.

BNY (OCS) Nominees Ltd, as a material shareholder, is a related party holding shares comprising nil (2010: 37.23%) of the total assets of the Fund as at 31 October 2011.

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.

### 13 Shareholder funds

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

Class A 1.50%
Class I 1.00%
Class Z 0.00%*

*Charges for managing Z class shares are levied outside the Fund and are agreed between the ACD and investors.

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 107. The distribution per share class is given in the distribution table on page 120. All share classes have the same rights on winding up.

## 14 Risk

Risks and policies in respect of financial assets and liabilities are set out in note 2 of the aggregated financial statements on pages 13-14.

**Currency risk**

Net currency monetary assets and liabilities consist of:

| Currency | Investment assets £000 | Net other assets £000 | Net assets £000 |
|---|---|---|---|
| **2011** | | | |
| Japanese yen | 32,735 | 262 | 32,997 |
| UK sterling | - | 649 | 649 |
| **Total** | **32,735** | **911** | **33,646** |
| **Currency** | | | |
| **2010** | | | |
| Japanese yen | 27,627 | 61 | 27,688 |
| UK sterling | - | 894 | 894 |
| **Total** | **27,627** | **955** | **28,582** |

**Interest rate risk profile of financial assets and financial liabilities**

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

Interest earned and paid on bank balances during the year was at a variable rate. The interest rates on sterling bank accounts at the end of the year were 0.29% on credit balances (2010: 0.20%) and 1.79% on overdraft balances (2010: 1.70%).

**Sensitivity analysis**

In the opinion of the ACD, the use of derivative instruments within the Fund does not have a significant effect on the Fund's operations and as such a sensitivity analysis is not deemed appropriate.

# Distribution table for the year ended 31 October 2011 (in pence per share)

## Final dividend distribution (xd date 31 October 2011, paid on 30 December 2011)

| | Net revenue | Distribution paid 30/12/2011 | Distribution paid 31/12/2010 |
|---|---|---|---|
| **Class A accumulation shares** | 0.7192 | 0.7192 | 0.5911 |
| **Class I accumulation shares** | 1.7136 | 1.7136 | 1.6966 |

# Manager's report

### Fund Manager

Kevin Adams

### 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.

### Performance summary

Over the year, the Fund rose by 1.2% compared with a 2.5% rise by the JP Morgan Global Bond Traded ex UK Index.

**Discrete annual performance**

| | 1 Nov 10-<br>31 Oct 11<br>% | 1 Nov 09-<br>31 Oct 10<br>% | 1 Nov 08-<br>31 Oct 09<br>% | 1 Nov 07-<br>31 Oct 08<br>% | 1 Nov 06-<br>31 Oct 07<br>% |
|---|---|---|---|---|---|
| **Henderson Overseas Bond Fund** | 1.2 | 10.9 | 11.9 | 27.7 | (1.1) |
| **JP Morgan Global Bond Traded ex UK Index** | 2.5 | 11.4 | 13.4 | 34.5 | 0.1 |

Source: Morningstar – mid to mid (excluding initial charge) with net income reinvested for a basis rate taxpayer.
Figures in brackets are negative.

Please remember that past performance is not a guide to future performance. The value of an investment and the income 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 October 2011

| Purchases | £000 | Sales | £000 |
|---|---|---|---|
| Spain (Kingdom of) 4.85% 31/10/2020 | 22,724 | Italy (Rep of) 4.5% 01/08/2018 | 29,473 |
| Italy (Rep of) 4.5% 01/08/2018 | 19,871 | Spain (Kingdom of) 4.85% 31/10/2020 | 22,868 |
| Japan (Government of) 0.2% 15/01/2013 | 17,938 | France (Government of) 3.5% 25/04/2020 | 17,589 |
| Japan (Government of) 1.1% 20/06/2021 | 17,637 | Development Bank of Japan 1.40% 20/06/2012 | 15,154 |
| France (Government of) 3.5% 25/04/2020 | 14,933 | Germany (Fed Rep) 4.00% 04/07/2016 | 14,902 |
| Italy (Rep of) 5% 01/08/2039 | 12,463 | US Treasury 4.375% 15/08/2012 | 14,281 |
| France (Government of) 5% 25/10/2016 | 12,093 | US Treasury 8.00% 15/11/2021 | 13,629 |
| France (Government of) 0.75% 20/09/2012 | 11,915 | Italy (Rep of) 5% 01/08/2039 | 12,785 |
| Japan (Government of) 0.5% 20/12/2030 | 11,252 | France (Government of) 5% 25/10/2016 | 12,236 |
| US Treasury 2.125% 15/05/2021 | 11,089 | Germany (Fed Rep) 4.00% 13/04/2012 | 9,141 |

### Performance

Over the year to 31 October 2011 the Fund produced a positive absolute return driven largely by the rising prices of government bonds. Government bond yields in the US and Germany fell materially over the year, and as a consequence the prices of bonds rose. This was driven by weak economic activity, low interest rates and, in the US the implementation of quantitative easing in the form of buying of US Treasury bonds and assurances from the US Federal Reserve that interest rates would remain low until at least 2013. Yields of Japanese government bonds were broadly unchanged over the period.

In contrast, the government bonds of peripheral eurozone countries saw substantial weakness as investors became increasingly concerned over the solvency of these countries. Multi-billion euro rescue packages for Ireland and Portugal were insufficient to stem the loss of investor confidence, and towards the end of the period Italy and Spain saw their borrowing costs rise to historically high levels in spite of central bank buying.

During the year the Fund maintained a predominately underweight stance to peripheral European government debt mainly through underweight positions in Italian, Spanish and Belgian government debt which benefited performance. Greece, Portugal and Ireland are not in the benchmark and the Fund has not held these bonds.

Performance in the Fund was hindered in the third quarter of 2011 by our holdings in short-dated corporate bonds, and our negative view on Australian bond prices expressed using futures, a position we subsequently closed. Whilst we have reduced some of our exposure to short-dated corporate bonds, we maintain a small weighting in high quality issuers which we are confident will add value to the portfolio.

### Investment activity

Late in 2010 we positioned for Spanish debt to underperform Italian debt as investors grew increasingly concerned for the fiscal positions of these countries following the Irish and Greek bail outs that had occurred earlier in the year. Initially this performed well, however in the new year, as economic data improved and investors hoped that a solution to the European sovereign crisis would be found, the position made a loss. We subsequently closed the position by selling Italian bonds and buying German bunds as we felt the positive investor sentiment was overdone considering the fragile European situation.

In February and March, the Middle East unrest and massive earthquake and tsunami in Japan saw increasing concerns for global growth and the onset of flight to quality flows. We positioned profitably for US Treasury bonds to outperform both outright and relative to German Bunds in light of worsening investor sentiment and expectations that an interest rate hike by the European Central Bank (ECB) would cause German Bunds to underperform.

As the year progressed, we used futures (a contract to buy/sell an asset at a predetermined future date and price) to position for short-dated Australian government debt to underperform, as we felt the flight to quality flows in reaction to the Japanese earthquake had pushed markets to expensive levels in shorter maturity bonds. This proved unprofitable over the life of the trade as economic data disappointed and we closed this position at a loss.

During the summer we temporarily closed our underweight to peripheral European government debt following the ECB's purchases of Italian and Spanish sovereign debt in the secondary markets. We later re-established this position as economic data continued to worsen and investors increasingly shunned these markets. This continues to be a profitable strategy and we maintain our underweight in this area.

Within the Japanese market we switched out of our holdings of euro/yen debt into Japanese government bonds in early 2011 as we felt the prices of these assets reflected limited further upside.

In the corporate bond allocation we participated in several new issues of attractively priced corporate debt during the period. However, the third quarter of 2011 saw a dramatic underperformance of corporate bonds as riskier assets performed poorly in light of weaker economic data and eurozone stress. We subsequently reduced the corporate bond allocation. Over the period we used government bond futures successfully to implement our strategy more quickly, cheaply and efficiently than by transacting in physical bonds.

Towards the end of the period we reduced exposure to the euro with a corresponding overweight to the US dollar. Investors reduced risk globally; and from this we made a small profit as the euro weakened while the dollar strengthened.

Kevin Adams
1 December 2011

# Comparative tables as at 31 October 2011

## 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 X income** | | | | |
| 31/10/2009* | 134,803,647 | 43,923 | 27,426 | 160.15 |
| **Class A income** | | | | |
| 31/10/2009 | 134,803,647 | 5,388,982 | 3,381,909 | 159.35 |
| 31/10/2010 | 198,750,083 | 4,834,607 | 2,773,371 | 174.32 |
| 31/10/2011 | 207,803,996 | 5,847,373 | 3,375,611 | 173.22 |
| **Class I income** | | | | |
| 31/10/2009 | 134,803,647 | 903,880 | 564,524 | 160.11 |
| 31/10/2010 | 198,750,083 | 598,743 | 342,584 | 174.77 |
| 31/10/2011 | 207,803,996 | 1,120,969 | 646,537 | 173.38 |
| **Class I accumulation** | | | | |
| 31/10/2009 | 134,803,647 | 3,844,915 | 1,937,803 | 198.42 |
| 31/10/2010 | 198,750,083 | 2,473,864 | 1,122,310 | 220.43 |
| 31/10/2011 | 207,803,996 | 2,228 | 1,003 | 222.13 |
| **Class I gross accumulation** | | | | |
| 31/10/2009 | 134,803,647 | 25,734,607 | 12,519,942 | 205.55 |
| 31/10/2010 | 198,750,083 | 31,247,349 | 13,681,014 | 228.40 |
| 31/10/2011 | 207,803,996 | 22,544,239 | 9,733,904 | 231.61 |
| **Class Z gross accumulation** | | | | |
| 31/10/2009 | 134,803,647 | 98,887,340 | 64,665,028 | 152.92 |
| 31/10/2010 | 198,750,083 | 159,595,520 | 93,446,854 | 170.79 |
| 31/10/2011 | 207,803,996 | 178,289,187 | 102,421,808 | 174.07 |

* X share class merged with A share class on 11 January 2010

# Comparative tables (continued)

## Performance record

| Calendar year | Net revenue (pence per share) | Highest price (pence per share) | Lowest price (pence per share) |
|---|---|---|---|
| **Class X income** | | | |
| 2006 | 2.19 | 130.80 | 116.60 |
| 2007 | 1.82 | 121.70 | 110.60 |
| 2008 | 1.90 | 179.50 | 123.00 |
| 2009 | 2.13 | 183.70 | 147.90 |
| 2010** | - | 163.30 | 160.40 |
| **Class A income** | | | |
| 2006 | 2.65 | 130.30 | 116.10 |
| 2007 | 2.26 | 121.20 | 110.20 |
| 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+ |
| **Class I income** | | | |
| 2006 | 2.59 | 130.60 | 116.40 |
| 2007 | 2.50 | 121.50 | 110.70 |
| 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+ |
| **Class I accumulation** | | | |
| 2006 | 2.99 | 149.30 | 136.00 |
| 2007 | 2.95 | 145.00 | 130.70 |
| 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+ |
| **Class Z accumulation** | | | |
| 2006 | 2.95 | 108.00 | 98.80 |
| 2007*** | 1.87 | 105.60 | 95.30 |
| **Class I gross accumulation** | | | |
| 2006 | 4.08 | 148.30 | 132.90 |
| 2007 | 4.03 | 148.30 | 132.90 |
| 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+ |
| **Class Z gross accumulation** | | | |
| 2006 | 3.53 | 109.90 | 101.10 |
| 2007 | 3.47 | 110.00 | 98.80 |
| 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+ |

* to 30 December
\+ to 31 October
** X share class merged with A share class on 11 January 2010.
*** Z share class closed on 11 December 2007.

# Total expense ratio

The annualised total expense ratio (TER) of the Fund, based on the total expenses included within the financial statements for the year as indicated below:

| | 2011<br>% | 2010<br>% |
|---|---|---|
| **Class A** | 1.20 | 1.16 |
| **Class I** | 0.55 | 0.55 |
| **Class Z** | 0.05 | 0.05 |

The TER of the Fund is the ratio of the Fund's total operating costs to its average net assets for twelve months.

# Portfolio statement as at 31 October 2011

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Bonds 90.85%, (2010: 86.47%)** | | |
| | **Australia 0.49% (2010: 0.16%)** | | |
| | **Government bonds 0.49% (2010: 0.16%)** | | |
| AUD 1,433,000 | Australia 5.5% 21/04/2023 | 1,011 | 0.49 |
| | **Canada 1.28% (2010: 1.27%)** | | |
| | **Government bonds 1.28% (2010: 1.27%)** | | |
| CAD 3,804,000 | Canada 3.75% 01/06/2019 | 2,655 | 1.28 |
| | **Europe 21.77% (2010: 28.28%)** | | |
| | **Government bonds 17.58% (2010: 25.66%)** | | |
| EUR 13,665,000 | France (Government of) 0.75% 20/09/2012 | 11,797 | 5.68 |
| EUR 7,903,000 | France (Government of) 3.5% 25/04/2020 | 7,119 | 3.43 |
| EUR 3,258,000 | France (Government of) 5.5% 25/04/2029 | 3,421 | 1.65 |
| EUR 429,000 | Germany (Fed Rep) 4% 13/04/2012 | 377 | 0.17 |
| EUR 860,000 | Germany (Fed Rep) 4% 04/07/2016 | 841 | 0.40 |
| EUR 4,155,000 | Germany (Fed Rep) 2.5% 04/01/2021 | 3,758 | 1.81 |
| EUR 2,247,000 | Germany (Fed Rep) 5.5% 04/01/2031 | 2,688 | 1.29 |
| EUR 4,401,000 | Italy (Rep of) 5% 01/08/2039 | 3,005 | 1.45 |
| EUR 3,623,000 | Netherlands 4% 15/07/2019 | 3,535 | 1.70 |
| | | 36,541 | 17.58 |
| | **Corporate bonds 4.19% (2010: 2.62%)** | | |
| EUR 950,000 | Anglo American Capital 5.875% 17/04/2015 | 894 | 0.43 |
| EUR 250,000 | BAT International Finance 5.375% 29/06/2017 | 244 | 0.12 |
| EUR 640,000 | Compagnie De St Gobain 4.5% 30/09/2019 | 560 | 0.27 |
| EUR 450,000 | Credit Logement 4.604% Perpetual* | 208 | 0.10 |
| USD 2,340,000 | Danske Bank 3.875% 14/04/2016 | 1,427 | 0.69 |
| EUR 236,000 | FGA Capital Ireland 4% 28/03/2013 | 199 | 0.11 |
| EUR 400,000 | Fonciere Lyonnaise 4.625% 25/05/2016 | 336 | 0.16 |
| EUR 700,000 | Fortum 4% 24/05/2021 | 628 | 0.30 |
| EUR 900,000 | Glencore Finance Europe 7.125% 23/04/2015 | 840 | 0.40 |
| EUR 800,000 | Lehman Brothers 5.75% Perpetual + | - | - |
| EUR 700,000 | Old Mutual 5% Fix-Floating Perpetual | 470 | 0.23 |
| EUR 1,000,000 | Red Electrica 4.75% 16/02/2018 | 892 | 0.43 |
| EUR 550,000 | Rexam 4.375% 15/03/2013 | 486 | 0.23 |
| EUR 600,000 | Wells Fargo 6% 23/05/2013 | 548 | 0.26 |
| EUR 1,029,000 | Xstrata Finance Canada 6.25% 27/05/2015 | 966 | 0.46 |
| | | 8,698 | 4.19 |
| | **Japan 32.77% (2010: 22.88%)** | | |
| | **Government bonds 32.77% (2010: 7.29%)** | | |
| JPY 1,399,100,000 | Japan (Government of) 0.2% 15/01/2013 | 11,126 | 5.35 |
| JPY 251,600,000 | Japan (Government of) 0.2% 15/08/2013 | 2,001 | 0.96 |
| JPY 1,243,500,000 | Japan (Government of) 0.4% 20/06/2015 | 9,926 | 4.78 |

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Japan** (continued) | | |
| JPY 1,482,300,000 | Japan (Government of) 0.5% 20/12/2015 | 11,863 | 5.71 |
| JPY 2,096,300,000 | Japan (Government of) 1.1% 20/06/2021 | 16,787 | 8.08 |
| JPY 257,000,000 | Japan (Government of) 2.1% 20/03/2030 | 2,157 | 1.03 |
| JPY 1,153,700,000 | Japan (Government of) 2.1% 20/12/2030 | 9,653 | 4.65 |
| JPY 94,700,000 | Japan (Government of) 2.3% 20/03/2040 | 808 | 0.39 |
| JPY 471,900,000 | Japan (Government of) 2% 20/09/2040 | 3,777 | 1.82 |
| | | 68,098 | 32.77 |
| | **Corporate bonds 0.00% (2010: 7.95%)** | | |
| | **Eurobonds 0.00% (2010:7.64%)** | | |
| | **Sweden 0.53% (2010: 0.63%)** | | |
| | **Government bonds 0.53% (2010: 0.63%)** | | |
| SEK 9,180,000 | Sweden 5% 01/12/2020 | 1,101 | 0.53 |
| | **United Kingdom 0.54% (2010: 1.18%)** | | |
| | **Corporate bonds 0.54% (2010: 1.18%)** | | |
| EUR 1,300,000 | Royal Bank Of Scotland 5.25% 15/05/2013 | 1,125 | 0.54 |
| | **United States 33.47% (2010: 32.07%)** | | |
| | **Government bonds 32.19% (2010: 28.07%)** | | |
| USD 11,288,000 | US Treasury 4.375% 15/08/2012 | 7,226 | 3.48 |
| USD 23,701,000 | US Treasury 2.25% 31/05/2014 | 15,395 | 7.41 |
| USD 31,769,000 | US Treasury 4.5% 15/05/2017 | 23,208 | 11.17 |
| USD 15,928,000 | US Treasury 2.125% 15/08/2021 | 9,825 | 4.72 |
| USD 4,275,000 | US Treasury 6% 15/02/2026 | 3,691 | 1.77 |
| USD 6,544,000 | US Treasury 4.5% 15/02/2036 | 5,027 | 2.42 |
| USD 3,208,000 | US Treasury 4.625% 15/02/2040 | 2,530 | 1.22 |
| | | 66,902 | 32.19 |
| | **Corporate bonds 1.28% (2010: 4.00%)** | | |
| USD 750,000 | Aries Vermogensverwaltung 9.6% 25/10/2014 | 582 | 0.28 |
| USD 2,000,000 | JP Morgan Chase 4.75% 01/05/2013 | 1,303 | 0.63 |
| USD 450,000 | Swiss Re Capital 6.854% Perpetual | 251 | 0.12 |
| USD 830,000 | Xstrata Finance Canada 5.5% 16/11/2011 | 515 | 0.25 |
| | | 2,651 | 1.28 |

# Portfolio statement (continued)

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|---|---|---|
| | **Derivatives (0.06%) (2010: 0.18%)** | | |
| | **Forward foreign exchange contracts 0.06% (2010: 0.01%)** | | |
| | Buy AUD 2,170,000, sell GBP 1,407,902 December 2011 | 12 | 0.01 |
| | Buy CAD 2,290,000, sell GBP 1,469,173 December 2011 | (42) | (0.02) |
| | Buy EUR 344,728, sell GBP 300,000 December 2011 | (2) | - |
| | Buy EUR 14,490,000, sell USD 19,583,235 December 2011 | 385 | 0.19 |
| | Buy GBP 2,636,735, sell EUR 3,007,842 December 2011 | 37 | 0.02 |
| | Buy SEK 1,236,951, sell GBP 118,187 December 2011 + | - | - |
| | Buy USD 3,359,640, sell EUR 2,400,000 December 2011 | 8 | - |
| | Buy USD 6,366,665 , sell EUR 4,830,000 December 2011 | (228) | (0.11) |
| | Buy USD 6,498,041, sell EUR 4,830,000 December 2011 | (147) | (0.08) |
| | Buy USD 6,822,500, sell EUR 5,000,000 December 2011 | (92) | (0.04) |
| | Buy USD 2,775,000, sell GBP 17,777,763 December 2011 | (58) | (0.03) |
| | | (127) | (0.06) |
| | **Futures 0.00% (2010: 0.17%)** | | |
| | **Investment assets including investment liabilities** | **188,655** | **90.79** |
| | Net other assets | 19,149 | 9.21 |
| | **Net assets** | **207,804** | **100.00** |

+ Market Value Less than £500.
* Unquoted security

# Credit Ratings

| Investment | Market value £ | Percentage of total net assets % |
|---|---|---|
| Above investment grade (AAA - BBB) | 185,307 | 89.17 |
| Unrated | 3,475 | 1.68 |
| **Total bonds** | **188,782** | **90.85** |
| **Totals derivatives** | **(127)** | **(0.06)** |
| **Investment assets including investment liabilities** | **188,655** | **90.79** |
| Net other asset | 19,149 | 9.21 |
| **Net assets** | **207,804** | **100.00** |

Source: Standard & Poor's

## Statement of total return for the year ended 31 October 2011

| | Notes | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Net capital gains | **2** | | 324 | | 15,677 |
| Revenue | **4** | 4,558 | | 4,323 | |
| Expenses | **5** | (292) | | (301) | |
| Finance costs: Interest | **7** | 1 | | - | |
| Net revenue before taxation | | 4,267 | | 4,022 | |
| Taxation | **6** | - | | - | |
| Net revenue after taxation | | | 4,267 | | 4,022 |
| **Total return before distributions** | | | 4,591 | | 19,699 |
| Finance costs: Distributions | **7** | | (4,267) | | (4,022) |
| **Change in net assets attributable to shareholders from investment activities** | | | **324** | | **15,677** |

## Statement of change in net assets attributable to shareholders for the year ended 31 October 2011

| | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|
| **Opening net assets attributable to shareholders** | | **198,750** | | **134,804** |
| Amounts receivable on issue of shares | 57,198 | | 67,529 | |
| Amounts payable on cancellation of shares | (52,658) | | (23,701) | |
| | | 4,540 | | 43,828 |
| Dilution Adjustment | | - | | 139 |
| Unclaimed distributions | | 1 | | 1 |
| Change in net assets attributable to shareholders from investment activities (see above) | | 324 | | 15,677 |
| Retained distribution on accumulation shares | | 4,189 | | 4,301 |
| **Closing net assets attributable to shareholders** | | **207,804** | | **198,750** |

# Balance sheet as at 31 October 2011

| | Notes | 2011 £000 | 2011 £000 | 2010 £000 | 2010 £000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investment assets | | | 189,224 | | 172,219 |
| Debtors | 8 | 16,268 | | 3,147 | |
| Cash and bank balances | 9 | 8,369 | | 24,687 | |
| Total other assets | | | 24,637 | | 27,834 |
| **Total assets** | | | 213,861 | | 200,053 |
| **Liabilities** | | | | | |
| Investment liabilities | | | 569 | | - |
| Creditors | 10 | 5,476 | | 1,291 | |
| Distribution payable on income shares | | 12 | | 12 | |
| Total other liabilities | | | 5,488 | | 1,303 |
| **Total liabilities** | | | 6,057 | | 1,303 |
| **Net assets attributable to shareholders** | | | **207,804** | | **198,750** |

## 1 Accounting policies

The accounting policies are set out in note 1 of the aggregated financial statements on pages 11 to 13.

## 2 Net capital gains

Net capital gains on investments during the year comprise:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Derivative contracts | (240) | 397 |
| Forward currency contracts | (36) | 46 |
| Non-derivative securities | (450) | 11,834 |
| Other currency gains | 1,058 | 3,408 |
| Transaction costs | (8) | (8) |
| **Net capital gains** | **324** | **15,677** |

## 3 Portfolio transaction costs

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Purchases in year before transaction costs | 289,272 | 125,454 |
| Commissions | 5 | 4 |
| Total purchase transaction costs* | 5 | 4 |
| **Purchases including transaction costs** | **289,277** | **125,458** |
| Sales in year before transaction costs | 270,728 | 85,694 |
| Commissions | (5) | (3) |
| Total sale transaction costs* | (5) | (3) |
| **Sales net of transaction costs** | **270,723** | **85,691** |
| **Transaction handling charges*** | **8** | **8** |

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

## 4 Revenue

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Bank interest | 49 | 4 |
| Interest on debt securities | 4,498 | 4,299 |
| Interest on margin | 3 | - |
| Stock lending revenue | 8 | 20 |
| **Total revenue** | **4,558** | **4,323** |

## Stock lending details

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Aggregate value of securities on loan at the year end | 505 | 8,834 |

The aggregate value of securities at the year end and during the year subject to stock lending was fully secured. All collateral held was in the form of securities. The aggregate value of collateral at the year end was £532,617 (2010: £9,054,996).

## 5 Expenses

| | 2011 £000 | 2010 £000 |
|---|---|---|
| **Payable to the ACD, associates of the ACD and agents of either of them:** | | |
| ACD's periodic charge | 212 | 213 |
| General administration charge* | 69 | 53 |
| Sub registration fees | - | (1) |
| | 281 | 265 |
| **Payable to the Depositary, associates of the Depositary and agents of either of them:** | | |
| Depositary fees | 24 | 20 |
| Safe custody fees | 12 | 11 |
| | 36 | 31 |
| **Other expenses:** | | |
| Audit fees | - | 2 |
| Printing and postage fees | - | 2 |
| Prior year over accrual | (25) | - |
| Registration fees | - | 1 |
| | (25) | 5 |
| **Total expenses** | **292** | **301** |

Irrecoverable VAT is included in the above expenses where relevant.
*The current audit fee is £9,240 (2010:£9,086). The audit fee levied through the GAC charge is £9,240 (2010:£7,122).

## 6 Taxation

**(a) Analysis of charge in year**

There is no tax charge for year.

**(b) Factors affecting current tax charge for year**

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

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Net revenue before taxation | 4,267 | 4,022 |
| Corporation tax at 20% (2010: 20%) | 853 | 804 |
| Effects of: | | |
| Income being paid as interest distributions | (853) | (804) |
| **Current tax charge for the 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 (2010: nil).

**(d) Factors that may affect future tax charges**

There were no factors that may affect future tax charges at the current or prior accounting year end.

## 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:

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Interim income | 30 | 59 |
| Interim accumulation | 3,230 | 3,311 |
| Final income | 12 | 12 |
| Final accumulation | 959 | 990 |
| Tax withheld on interest distributions | 9 | 22 |
| | 4,240 | 4,394 |
| Amounts deducted on cancellation of shares | 190 | 70 |
| Amounts received on issue of shares | (163) | (442) |
| Finance costs: Distributions | 4,267 | 4,022 |
| Finance costs: Interest | (1) | - |
| **Total finance cost** | **4,266** | **4,022** |

Details of the distribution per share are set out in the distribution table on pages 138-141.

## 8 Debtors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Accrued revenue | 1,785 | 2,053 |
| Amounts receivable for issue of shares | 17 | 9 |
| Currency transactions awaiting settlement | - | 1,085 |
| Sales awaiting settlement | 14,466 | - |
| **Total debtors** | **16,268** | **3,147** |

## 9 Cash and bank balances

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Amounts held at futures clearing houses and brokers | - | 160 |
| Cash and bank balances | 8,369 | 24,527 |
| **Total cash and bank balances** | **8,369** | **24,687** |

## 10 Creditors

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Accrued ACD's periodic charge | 16 | 19 |
| Accrued Depositary's fees | 2 | 2 |
| Accrued other expenses | 8 | 34 |
| Amounts payable for cancellation of shares | 277 | 156 |
| Currency transactions awaiting settlement | - | 1,075 |
| Income tax payable | 2 | 5 |
| Purchases awaiting settlement | 5,171 | - |
| **Total creditors** | **5,476** | **1,291** |

## 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

## 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 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 129 and 130 and notes 5, 8 and 10 on pages 132 to 134 including all creations and cancellations where the ACD acted as principal.

Nortrust Nominees Limited and State Street Nominees Limited, as a material shareholders, are related parties comprising 10.26% (2010: 15.12%) and 83.57% (2010: 79.98%) respectively of the net assets of the Fund as at 31 October 2011.

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.

## 13 Shareholder funds

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

Class A 1.00%
Class I 0.50%
Class Z 0.00%*

* Charges for managing Z class shares are levied outside the Fund and are agreed between the Manager and investors.

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 123. The distribution per share class is given in the distribution table on pages 138-141. All share classes have the same rights on winding up.

## 14 Risk

Risks and policies in respect of financial assets and liabilities are set out in note 2 of the aggregated financial statements on pages 13-14.

**Currency risk**

Net currency monetary assets and liabilities consist of:

| Currency | Investment assets including investment liabilities £000 | Net other assets £000 | Net assets £000 |
|---|---|---|---|
| **2011** | | | |
| Australian dollar | 1,023 | 298 | 1,321 |
| Canadian dollar | 2,613 | 693 | 3,306 |
| Euro | 45,320 | 10,294 | 55,614 |
| Japanese yen | 68,099 | 2,286 | 70,385 |
| Swedish krona | 1,101 | 44 | 1,145 |
| UK sterling | 37 | 2,583 | 2,620 |
| US dollar | 70,462 | 2,951 | 73,413 |
| **Total** | **188,655** | **19,149** | **207,804** |

| Currency | | | |
|---|---|---|---|
| **2010** | | | |
| Australian dollar | 332 | 1,086 | 1,418 |
| Canadian dollar | 2,530 | 68 | 2,598 |
| Euro | 58,552 | 1,022 | 59,574 |
| Japanese yen | 45,813 | 21,553 | 67,366 |
| Swedish krona | 1,253 | 4 | 1,257 |
| UK sterling | - | 866 | 866 |
| US dollar | 63,739 | 1,932 | 65,671 |
| **Total** | **172,219** | **26,531** | **198,750** |

## 15 Risk (continued)

The interest rate risk profile of the Fund's financial assets and liabilities at the year end is set out in the following table:

| Currency | Floating rate financial assets £000 | Fixed rate financial assets £000 | Financial assets not carrying interest £000 | Total £000 |
|---|---|---|---|---|
| **2011** | | | | |
| Australian dollar | 297 | 1,011 | 13 | 1,321 |
| Canadian dollar | 655 | 2,655 | 37 | 3,347 |
| Euro | 289 | 44,936 | 15,562 | 60,787 |
| Japanese yen | 2,091 | 68,099 | 195 | 70,385 |
| Swedish krona | 4 | 1,101 | 40 | 1,145 |
| UK sterling | 2,880 | - | 58 | 2,938 |
| US dollar | 2,153 | 70,979 | 806 | 73,938 |
| **Total** | **8,369** | **188,781** | **16,711** | **213,861** |

| Currency | Floating rate financial assets £000 | Fixed rate financial assets £000 | Financial assets not carrying interest £000 | Total £000 |
|---|---|---|---|---|
| **2010** | | | | |
| Australian dollar | - | 332 | 1,086 | 1,418 |
| Canadian dollar | 31 | 2,530 | 37 | 2,598 |
| Euro | 85 | 58,552 | 937 | 59,574 |
| Japanese yen | 21,375 | 45,813 | 178 | 67,366 |
| Swedish krona | - | 1,253 | 4 | 1,257 |
| UK sterling | 2,160 | - | 9 | 2,169 |
| US dollar | 1,036 | 63,739 | 896 | 65,671 |
| **Total** | **24,687** | **172,219** | **3,147** | **200,053** |

| Currency | Floating rate financial liabilities £000 | Fixed rate financial liabilities £000 | Financial liabilities not carrying interest £000 | Total £000 |
|---|---|---|---|---|
| **2011** | | | | |
| Canadian dollar | - | - | 41 | 41 |
| Euro | - | - | 5,173 | 5,173 |
| UK sterling | - | - | 318 | 318 |
| US dollar | - | - | 525 | 525 |
| **Total** | **-** | **-** | **6,057** | **6,057** |

| Currency | Floating rate financial liabilities £000 | Fixed rate financial liabilities £000 | Financial liabilities not carrying interest £000 | Total £000 |
|---|---|---|---|---|
| **2010** | | | | |
| UK sterling | - | - | 1,303 | 1,303 |
| **Total** | **-** | **-** | **1,303** | **1,303** |

## 15 Risk (continued)

| Currency | Weighted average interest rate (%) | Weighted average period for which rate is fixed (Years) |
|---|---|---|
| **2011** | | |
| Australian dollar | 4.48 | 11.48 |
| Canadian dollar | 3.07 | 7.59 |
| Euro | 2.74 | 9.05 |
| Japanese yen | 0.88 | 9.03 |
| Swedish krona | 3.37 | 9.09 |
| US dollar | 2.54 | 7.31 |
| **Currency** | | |
| **2010** | | |
| Australian dollar | 5.67 | 4.46 |
| Canadian dollar | 3.07 | 8.59 |
| Euro | 3.34 | 9.46 |
| Japanese yen | 0.99 | 7.97 |
| Swedish krona | 4.14 | 1.94 |
| US dollar | 3.12 | 7.04 |

The 'weighted average interest rate' is based on the redemption yield of each asset, weighted by their market value.

Interest earned and paid on bank balances during the year was at a variable rate. The interest rates on sterling bank accounts at the end of the year were 0.29% on credit balances (2010: 0.20%) and 1.79% on overdraft balances (2010: 1.70%).

**Sensitivity Analysis**
In the opinion of the ACD, the use of derivative instruments within the Fund does not have a significant effect in the Fund's operations and as such, a sensitivity analysis is not deemed appropriate.

# Distribution table for the year ended 31 October 2011 (in pence per share)

### Interim interest distribution (xd date 31 January 2011, paid on 31 March 2011)

Group 1: shares purchased prior to 1 November 2010

Group 2: shares purchased on or after 1 November 2010

| | Gross revenue | Income tax (20%) | Net revenue | Equalisation | Distribution paid 31/03/2011 | Distribution paid 31/03/2010 |
|---|---|---|---|---|---|---|
| **Class A income** | | | | | | |
| Group 1 | 0.5306 | 0.1061 | 0.4245 | - | 0.4245 | 0.5431 |
| Group 2 | 0.2769 | 0.0554 | 0.2215 | 0.2030 | 0.4245 | 0.5431 |
| **Class I income** | | | | | | |
| Group 1 | 0.7755 | 0.1551 | 0.6204 | - | 0.6204 | 0.7147 |
| Group 2 | 0.3765 | 0.0753 | 0.3012 | 0.3192 | 0.6204 | 0.7147 |
| **Class I accumulation** | | | | | | |
| Group 1 | 0.9813 | 0.1963 | 0.7850 | - | 0.7850 | 0.8902 |
| Group 2 | 0.2063 | 0.0413 | 0.1650 | 0.6200 | 0.7850 | 0.8902 |
| **Class I gross accumulation** | | | | | | |
| Group 1 | 1.0642 | - | 1.0642 | - | 1.0642 | 1.1712 |
| Group 2 | 1.0642 | - | 1.0642 | - | 1.0642 | 1.1712 |
| **Class Z gross accumulation** | | | | | | |
| Group 1 | 1.0065 | - | 1.0065 | - | 1.0065 | 1.0685 |
| Group 2 | 0.1140 | - | 0.1140 | 0.8925 | 1.0065 | 1.0685 |

# Distribution table (continued)

## Interim interest distribution (xd date 30 April 2011, paid on 30 June 2011)

Group 1: shares purchased prior to 1 February 2011

Group 2: shares purchased on or after 1 February 2011

| | Gross revenue | Income tax (20%) | Net revenue | Equalisation | Distribution paid 30/06/2011 | Distribution paid 30/06/2010 |
|---|---|---|---|---|---|---|
| **Class A income** | | | | | | |
| Group 1 | 0.3826 | 0.0765 | 0.3061 | - | 0.3061 | 0.5005 |
| Group 2 | 0.1348 | 0.0270 | 0.1078 | 0.1983 | 0.3061 | 0.5005 |
| **Class I income** | | | | | | |
| Group 1 | 0.5833 | 0.1167 | 0.4666 | - | 0.4666 | 0.7068 |
| Group 2 | 0.2341 | 0.0468 | 0.1873 | 0.2793 | 0.4666 | 0.7068 |
| **Class I accumulation** | | | | | | |
| Group 1 | 0.7408 | 0.1482 | 0.5926 | - | 0.5926 | 0.8843 |
| Group 2 | 0.7408 | 0.1482 | 0.5926 | - | 0.5926 | 0.8843 |
| **Class I gross accumulation** | | | | | | |
| Group 1 | 0.8578 | - | 0.8578 | - | 0.8578 | 1.1354 |
| Group 2 | 0.5428 | - | 0.5428 | 0.3150 | 0.8578 | 1.1354 |
| **Class Z gross accumulation** | | | | | | |
| Group 1 | 0.8414 | - | 0.8414 | - | 0.8414 | 1.0545 |
| Group 2 | 0.2940 | - | 0.2940 | 0.5474 | 0.8414 | 1.0545 |

# Distribution table (continued)

## Interim interest distribution (xd date 31 July 2011, paid on 30 September 2011)

Group 1: shares purchased prior to 1 May 2011

Group 2: shares purchased on or after 1 May 2011

| | Gross revenue | Income tax (20%) | Net revenue | Equalisation | Distribution paid 30/09/2011 | Distribution paid 30/09/2010 |
|---|---|---|---|---|---|---|
| **Class A income** | | | | | | |
| Group 1 | 0.4551 | 0.0910 | 0.3641 | - | 0.3641 | 0.4180 |
| Group 2 | 0.0978 | 0.0196 | 0.0782 | 0.2859 | 0.3641 | 0.4180 |
| **Class I income** | | | | | | |
| Group 1 | 0.6744 | 0.1349 | 0.5395 | - | 0.5395 | 0.6318 |
| Group 2 | 0.6160 | 0.1232 | 0.4928 | 0.0467 | 0.5395 | 0.6318 |
| **Class I accumulation** | | | | | | |
| Group 1 | 0.8589 | 0.1718 | 0.6871 | - | 0.6871 | 0.7870 |
| Group 2 | 0.8589 | 0.1718 | 0.6871 | - | 0.6871 | 0.7870 |
| **Class I gross accumulation** | | | | | | |
| Group 1 | 0.9706 | - | 0.9706 | - | 0.9706 | 1.0642 |
| Group 2 | 0.9706 | - | 0.9706 | - | 0.9706 | 1.0642 |
| **Class Z gross accumulation** | | | | | | |
| Group 1 | 0.9417 | - | 0.9417 | - | 0.9417 | 1.0037 |
| Group 2 | 0.3945 | - | 0.3945 | 0.5472 | 0.9417 | 1.0037 |

# Distribution table (continued)

## Final interest distribution (xd date 31 October 2011, paid on 30 December 2011)

Group 1: shares purchased prior to 1 August 2011

Group 2: shares purchased on or after 1 August 2011

| | Gross revenue | Income tax (20%) | Net revenue | Equalisation | Distribution paid 30/12/2011 | Distribution paid 31/12/2010 |
|---|---|---|---|---|---|---|
| **Class A income** | | | | | | |
| Group 1 | 0.3468 | 0.0694 | 0.2774 | - | 0.2774 | 0.3504 |
| Group 2 | 0.0213 | 0.0043 | 0.0170 | 0.2604 | 0.2774 | 0.3504 |
| **Class I income** | | | | | | |
| Group 1 | 0.5860 | 0.1172 | 0.4688 | - | 0.4688 | 0.5788 |
| Group 2 | 0.1089 | 0.0218 | 0.0871 | 0.3817 | 0.4688 | 0.5788 |
| **Class I accumulation** | | | | | | |
| Group 1 | 0.7488 | 0.1498 | 0.5990 | - | 0.5990 | 0.7299 |
| Group 2 | 0.7488 | 0.1498 | 0.5990 | - | 0.5990 | 0.7299 |
| **Class I gross accumulation** | | | | | | |
| Group 1 | 0.8432 | - | 0.8432 | - | 0.8432 | 0.9376 |
| Group 2 | 0.2032 | - | 0.2032 | 0.6400 | 0.8432 | 0.9376 |
| **Class Z gross accumulation** | | | | | | |
| Group 1 | 0.8562 | - | 0.8562 | - | 0.8562 | 0.9132 |
| Group 2 | 0.1819 | - | 0.1819 | 0.6743 | 0.8562 | 0.9132 |

**Equalisation**

This applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# 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 units please telephone at local rate: **0845 608 8703**

The following line is also available:

Investor 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.

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