

Henderson

All Stocks Credit Fund

Short Report

For the year ended 30 June 2013

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Fund Manager

Philip Payne

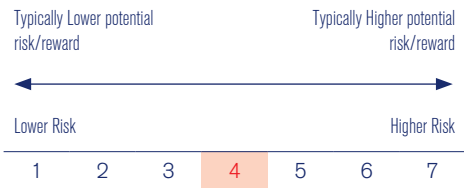
Investment objective and policy

To provide a return by investing primarily in sterling denominated investment grade corporate bonds. The Fund may invest in other transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

Risk and reward profile

The Fund currently has 9 types of share class in issue;

A accumulation, I accumulation, Z gross accumulation, A income, I income, Z gross income, A gross income, I gross accumulation and I gross income. Each type of share class has the same risk and reward profile which is as follows:



The value of an investment in the Fund can go up or down. When you sell your shares, they may be worth less than you paid for them.

The SRRI is calculated based on historical volatility over a rolling 5 year period, it is reviewed monthly and updated if volatility has changed materially to cause a movement in the SRRI level. The SRRI is an indicator and may not accurately reflect future volatility and market conditions. The risk/reward rating above is based on medium-term volatility. In the future, the Fund's actual volatility could be

higher or lower and its rated risk/reward level could change.

The lowest category does not mean risk free.

The Fund's risk level reflects the following:

- As a category, bonds are less volatile than shares
- Fluctuations in exchange rates may cause the value of your investment to rise or fall

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

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

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

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

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

Geographic risk The Fund's value may fall where it has concentrated exposure to a particular country or region that is heavily affected by an adverse event.

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

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

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

Manager's commentary

Corporate bond markets have performed very strongly over the last twelve months benefiting from highly accommodative central bank monetary policy, a calming of the crisis in the eurozone and strong inflows into the asset class as the 'search for yield' theme continued in the low rate environment. Over the period the Fund has underperformed the benchmark with the Fund returning 4.31% compared to the benchmark return of 6.49%.

In the early part of the period under review markets benefited from renewed investor confidence following actions taken by European policymakers and the central banks to ensure stability and to safeguard the monetary policy transmission mechanism. This resulted in the decline of government bond yields (higher bond prices) for peripheral European countries such as Italy and Spain and a sharp fall in credit spreads. The biggest beneficiaries of this have been financials, especially subordinated bonds, along with corporate issuers from peripheral countries who had seen their funding costs soar in 2011 as a result of the weakness in government bonds. During this period the Fund's performance suffered due to a cautious stance taken towards corporate and government related issuers from Italy, Spain and France and European financials, which outperformed. As markets stabilised and confidence returned we increased exposure to issuers such as Spanish telecoms operator Telefónica, Italian Insurer Generali and Italian Utility Enel, which have continued to perform well.

In September 2012 global credit markets benefited from further policy moves by the Federal Reserve (Fed) in the United States of America who increased their asset purchase programme by US\$85bn a month and decided to link the outlook for interest rates to unemployment and inflation. This ongoing stimulus has been one of the main drivers of markets over the period. Two of the sectors, which have been the biggest beneficiaries of the ongoing stimulus, have been banks and insurers; sectors that the Fund has increased exposure to. In banks we have favoured UK and US banks, as we believe they have strengthened their balance sheets more than other jurisdictions over recent years. In the UK exposure has been increased in Barclays and Lloyds, whilst in the US the largest exposures have been in Citigroup and Bank of America whilst we have also added a position in Wells Fargo. After the strong performance over the recent year the Fund has pared back

exposure to Citigroup. Exposure in the insurance sector has been increased through new issuance from Standard Life, Bupa and Scottish Widows, whilst it has also been increased in Aviva and Old Mutual.

One of the sectors where our holdings have detracted from performance over the year has been telecoms. Our holdings in AT&T has been impacted by a one notch rating downgrade, to low single A, due to an increase in capex (capital expenditure) and share buybacks, persistent rumours of large acquisitions and a reluctance by some investors to own longer dated bonds due to duration (interest rate sensitivity) concerns. Whilst the position has underperformed we still believe the bonds have an attractive valuation compared to other European operators and these concerns are priced into spreads at current levels. A second position that detracted from performance in the sector was Virgin Media following the takeover of the company by Liberty Global, which has led to deterioration in their credit metrics.

One position that has worked well for the Fund has been the holding in Heathrow Airport (formerly BAA). The airport has benefited from the sale of Stansted Airport during the period, improving earnings, and the establishment of new key shareholders. The Fund has also benefited from holdings in the utility sector, which is an area we like due to a high degree of regulation and stable and predictable cash flows. Positions have been increased in Southern Water, Anglian Water, National Grid and EDF (Electricité de France) predominantly via new issuance.

The Fund's exposure to supranational, foreign sovereign and government agency debt has remained light although exposure has been increased to the European Investment Bank (EIB) over the period. These sectors have performed well and proven to be resilient in the recent market weakness detracting from the Fund's relative performance.

Towards the end of the period the focus of the market has moved away from Europe, despite the numerous issues which still remain unresolved, to increased expectations that the Fed will begin to taper their asset purchases later this year. The reaction in markets has seen government bond yields rise sharply and credit spreads widen from their tightest levels since early 2010. The sharp change in investor sentiment has impacted the Fund's holdings in financials, and some of the recent new deals that the Fund has participated in, especially some of the subordinated bonds issued by non-financial companies.

Performance summary

	1 Jul 12 - 30 Jun 13 %	1 Jul 11 - 30 Jun 12 %	1 Jul 10 - 30 Jun 11 %	1 Jul 09 - 30 Jun 10 %	1 Jul 08 - 30 Jun 09 %
Henderson All Stocks Credit Fund	4.3	8.1	4.2	12.3	4.3
iBoxx Non-Gilts Total Return Index	6.5	9.0	5.2	9.2	1.3

Source: Morningstar - mid to mid (excluding initial charges) with net revenue reinvested for a basic rate taxpayer.

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

Summary of Fund performance

Share class	Net asset value* 2013 p	Net asset value* 2012 p	Net asset value % change
Class A income	118.47	116.86	1.38
Class A accumulation	124.38	119.53	4.06
Class I income	119.43	118.10	1.13
Class I accumulation	199.42	191.15	4.33
Class A gross income	118.49	116.94	1.33
Class I gross income	121.37	119.97	1.17
Class I gross accumulation	218.45	207.67	5.19
Class Z gross income	108.20	106.78	1.33
Class Z gross accumulation	175.67	165.89	5.90

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

Fund facts

Accounting dates

30 June, 31 December

Payment dates

31 August, 30 November, 28/29 February, 31 May

Ongoing charge figure

	2013	2012
	%	%
Class A	1.20	1.20
Class I	0.55	0.55
Class Z	0.05	0.05

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

Net revenue distribution

Share class	2013 p	2012 p
Class A income	3.20	3.36
Class A accumulation	3.33	3.40
Class I income	3.88	3.94
Class I accumulation	6.40	6.30
Class A gross income	4.02	4.21
Class I gross income	4.90	5.04
Class I gross accumulation	8.69	8.58
Class Z gross income	4.94	5.03
Class Z gross accumulation	7.89	7.67

Total interest distributions for the year ended 30 June 2013, comparison is for the same period last year.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class X income			
2008	3.65	109.50	96.78
2009	3.48	110.70	96.30
2010 **	0.86	109.40	108.40
Class A income			
2008	4.09	109.10	96.39
2009	3.86	110.30	95.93
2010	3.67	116.20	107.90
2011	3.53	115.10	109.20
2012	3.25	124.20	114.00
2013	2.42*	127.60+	118.80+
Class A accumulation			
2011 ****	0.90	116.00	111.90
2012	3.31	128.80	115.80
2013	2.52*	134.00+	124.70+
Class I income			
2008	4.54	110.20	97.51
2009	4.30	111.60	97.04
2010	4.19	117.40	109.10
2011	3.93	116.30	110.50
2012	3.87	125.50	115.10
2013	2.92*	128.80+	120.00+
Class I accumulation			
2008	6.28	151.40	138.50
2009	6.22	165.20	141.00
2010	6.30	179.60	163.20
2011	6.12	185.10	171.30
2012	6.23	206.30	184.70
2013	4.84*	215.10+	200.40+

Past performance is not a guide to future performance.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A gross income			
2008	5.09	109.50	100.80
2009	4.85	110.90	96.28
2010	4.60	116.70	108.30
2011	4.40	115.60	109.60
2012	4.08	124.70	114.30
2013	3.03*	128.10+	119.30+
Class I gross income			
2008	5.73	111.20	100.30
2009	5.48	112.70	97.77
2010	5.36	118.80	110.00
2011	5.23	117.70	111.50
2012	4.92	126.90	116.20
2013	3.69*	130.20+	121.50+
Class I gross accumulation			
2008	8.10	156.30	144.00
2009	8.19	174.00	147.30
2010	8.43	191.00	172.00
2011	8.61	199.40	182.50
2012	8.47	224.10	199.00
2013	6.58*	234.40+	218.60+
Class Z gross income			
2010 ***	3.78	106.20	100.00
2011	5.18	105.20	99.56
2012	4.93	113.50	103.70
2013	3.72*	116.30+	108.60+
Class Z gross accumulation			
2008	6.98	122.60	113.40
2009	7.05	137.80	116.30
2010	7.17	152.00	136.30
2011	7.62	159.50	145.40
2012	7.61	180.20	159.20
2013	5.97*	188.80+	176.20+

* to 30 August

+ to 30 June

** Class X merged with Class A 11 January 2010

*** Class Z gross income launched 3 March 2010

**** Class A accumulation launched 12 August 2011

Major holdings	
as at 2013	%
KFW International Finance 5.5% 07/12/2015	1.13
Johnson & Johnson 5.5% 06/11/2024	1.04
BG Energy Capital 5.125% 07/12/2017	1.03
AT&T 5.875% 28/04/2017	1.02
European Investment Bank 3.75% 07/12/2027	0.99
Nationwide Building Society 5.625% 28/01/2026	0.98
Barclays Bank 10% 21/05/2021	0.97
HSBC FRN 18/10/2022	0.97
United Utilities Water 6.125% 29/12/2015	0.81
European Investment Bank 6% 07/12/2028	0.77

Asset allocation	
as at 2013	%
Eurobonds	94.24
Government bonds	2.88
Derivatives	0.07
Net other assets	2.81
Total	100.00

Major holdings	
as at 2012	%
UK Treasury 4.5% 07/03/2013	2.60
UK Treasury 5% 07/09/2014	2.06
Nationwide Building Society 5.625% 28/01/2026	1.37
KFW International Finance 5.5% 07/12/2015	1.34
UK Treasury 6% 07/12/2028	1.29
Johnson & Johnson 5.5% 06/11/2024	1.08
BG Energy Capital 5.125% 07/12/2017	1.02
AT&T 5.875% 28/04/2017	1.01
Pfizer 6.5% 03/06/2038	0.94
European Investment Bank 6.25% 15/04/2014	0.91

Asset allocation	
as at 2012	%
Eurobonds	85.41
Government bonds	10.81
Derivatives	0.01
Net other assets	3.77
Total	100.00

Report and accounts

This document is a short report of the Henderson All Stocks Credit Fund for the year ended 30 June 2013.

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

Issued by:

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

Other information

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

Risk warning

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

Depository

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Changes of address - regulatory requirements

FCA regulation requires us to send this report mailing to the address held on file on the accounting date of 30 June 2013. If you have confirmed a change of address with us since that date we will ensure all future correspondence will be sent to your new address.

Online valuations

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

Any questions?

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

Important Information

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

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