

Henderson

# UK Index

Fund

**Short Report**

For the year ended 31 October 2013

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For the year ended 31 October 2013

**Fund Manager**

Chris Handley

**Investment objective and policy**

This Fund is designed to track the capital performance of the FTSE All-Share Index and to maintain a gross income yield equal to that of the Index. The Fund is managed on a fully invested basis and has a portfolio of typically, over 600 stocks comprising the FTSE All-Share Index although, occasionally, the Fund may invest in stocks outside the Index. The emphasis is on maintaining tracking precision. Stocks are screened to minimise deviation from the Index. The portfolio also maintains a balance between large and small capitalisation stocks.

The Fund may also invest at the Manager's discretion in other transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in applicable FCA (Financial Conduct Authority) Rules).

**Other information**

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

On 20 May 2013, the Fund Administrator and Custodian of the Henderson Investment Series III Funds changed from HSBC Securities Services to BNP Paribas Securities Services and the Depositary changed from HSBC Bank plc to National Westminster Bank plc.

**Risk and reward profile**

The Fund currently has 3 types of share class in issue:

A income, A accumulation and I accumulation.

The risk and reward profile is the same for each type of share and is as follows:



The Synthetic Risk and Reward Indicator (SRRI) is calculated based on historical volatility over a rolling 5 year period, it is reviewed monthly and updated if volatility has changed materially to cause a movement in the SRRI level.

The SRRI is an indicator and may not accurately reflect future volatility and market conditions. The value of an investment in the Fund can go up or down. When you sell your shares, they may be worth less than you paid for them. The risk/reward rating above is based on medium-term volatility. In the future, the Fund's actual volatility could be higher or lower and its rated risk/reward level could change.

The lowest category does not mean risk free.

The Fund's risk level reflects the following:

- The Fund focuses on a single country
- As a category, shares are more volatile than either bonds or money market instruments
- As a tracker fund, the Fund takes no measures to reduce exposure to market risks

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.

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

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

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

## Manager's commentary

Over the 12-month period ending 31 October 2013 the Henderson UK Index Fund accumulation share class increased by 20.9%, compared to a rise in the FTSE All-Share Index of 22.8%.

### Market review

Political change, evolving central bank policies, and economic data continued to play a decisive role in determining global market direction throughout the 12-month review period. Central banks took decisive action with the US and Japan engaging in further quantitative easing (QE) to stimulate economic activity.

In the UK, the economy stuttered along. Early on the Bank of England (BoE) continually cut their forecast for near-term economic growth, whilst having to admit that inflation was higher and more persistent than previously expected. The second half of the review period, however, saw a steady improvement in economic data, so much so that at his final Inflation Report news conference, the outgoing BoE Governor was able to deliver a cautiously optimistic assessment of the economy. For the first time since the financial crisis hit, growth forecasts were revised up while inflation forecasts were lowered. Later the new governor, Mark Carney, taking over in July, introduced a new framework of 'forward guidance' in an effort to reassure investors about the bank's future interest rate intentions, pledging to keep rates at a record low until UK unemployment falls to 7%.

In Q3 2013 the UK economy grew 0.8%, the fastest pace for three years. While inflation remained stubbornly above the target of 2%, it was seen easing somewhat towards the end of the period, falling to 2.7% in August and remaining unchanged in September.

As economic figures continued to be positive, money markets began pricing in a rate rise almost two years earlier than the BoE had indicated in their forward guidance.

UK equities performed strongly over the 12-months to 31 October 2013, evidenced by a total return of 22.8% in the FTSE All-Share Index. In keeping with the rise in risk appetite, medium and smaller capitalised companies substantially outperformed their larger counterparts; the FTSE Small Cap Index advanced 37.3%, the FTSE Mid 250 Index rose 33.2%, while the FTSE 100 returned 20.7%.

Industry sectors that contributed the most to the FTSE All-Share's return over the reporting period included telecommunications, consumer services and industrials. Basic materials delivered a poor performance, detracting from returns, while oil and gas and utilities were among the weakest sectors.

At a stock level, Thomas Cook and Ocado Group in the consumer services sector led the gains in the index, accompanied by industrial sector's Xaar plc. Among the names contributing the least to the index returns were Avocet Mining in the basic materials sector and CPP Group in industrials.

### Outlook

After a period of uncertainty due to US tapering discussions and budget negotiations, markets are once again climbing with some equity indices reaching new highs. But, as September showed, when analysts' expectations about the course of central bank policy are thwarted markets can change course quickly. In theory, stepping down asset purchases gradually weans markets off central bank support a little at a time; however, in practice, the return to fundamentals-based investing may not be as orderly a process as everyone hopes.

In the UK an improving macroeconomic backdrop is supporting markets, boosting hopes for a UK recovery, as the unemployment rate continues to edge lower. In Europe, data has stabilised after an improvement over the third quarter of 2013. Elsewhere, while recent data out of China has been showing signs of improvement, it remains to be seen whether this positive macro momentum continues.

## Performance summary

	31 Oct 12- 31 Oct 13 %	31 Oct 11- 31 Oct 12 %	31 Oct 10- 31 Oct 11 %	31 Oct 09- 31 Oct 10 %	31 Oct 08- 31 Oct 09 %
Henderson UK Index Fund	20.9	8.3	2.0	14.2	29.5
FTSE All-Share Index	22.8	9.8	0.6	17.5	23.5

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, net of fees, 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 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	375.48	311.66	20.48
Class A accumulation	481.81	395.55	21.81
Class I accumulation	494.80	404.04	22.46

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

## Fund facts

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

### Ongoing charge figure

	2013 %	2012 %
Class A income	0.74*	0.76
Class A accumulation	0.74*	0.76
Class I accumulation	0.37**	0.38

The ongoing charge figure of the Fund is the ratio of the total ongoing charges to the average net asset value for twelve months.

It is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR).

\* The General Administration Charge (GAC) decreased from 0.24% to 0.18% on 10 August 2013.

\*\* The General Administration Charge (GAC) decreased from 0.06% to 0.045% on 10 August 2013.

## Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
<b>Class A income</b>			
2008	9.05	334.91	192.82
2009	7.44	282.15	180.40
2010	6.57	316.44	255.16
2011	6.12	324.83	264.19
2012	7.70	323.84	282.73
2013	8.20+	379.60*	326.90*
<b>Class A accumulation</b>			
2008	10.15	372.28	217.72
2009	8.66	334.99	207.65
2010	7.86	384.16	306.96
2011	7.49	395.43	323.69
2012	9.58	410.96	354.65
2013	10.47+	487.10*	414.85*
<b>Class I accumulation</b>			
2008	10.93	375.74	220.11
2009	9.30	339.43	210.07
2010	8.66	390.04	311.35
2011	8.57	401.90	329.29
2012	11.24	420.01	361.69
2013	12.59+	499.40*	424.01*

\* to 31 October

+ to 31 December

## Net revenue distribution

Share class	2013 p	2012 p
Class A income	8.20	7.70
Class A accumulation	10.47	9.58
Class I accumulation	12.59	11.24

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

**Past performance is not a guide to future performance.**

## Major holdings

as at 2013	%
HSBC Holdings (London Listed)	5.99
Vodafone	5.15
BP	4.28
GlaxoSmithKline	3.81
Royal Dutch Shell 'A'	3.71
British American Tobacco	3.10
Royal Dutch Shell 'B'	2.56
Diageo	2.35
BG	2.04
Barclays	2.00

## Major holdings

2012	%
HSBC Holdings (London listed)	6.35
BP	4.78
Vodafone	4.70
Royal Dutch Shell 'A'	4.45
GlaxoSmithKline	3.94
British American Tobacco	3.38
Royal Dutch Shell 'B'	3.29
Diageo	2.53
BHP Billiton	2.38
Rio Tinto	2.19

## Asset allocation

as at 2013	%
Financials	23.62
Oil & Gas	14.13
Consumer Goods	13.39
Consumer Services	10.35
Industrials	9.82
Basic Materials	7.96
Healthcare	7.13
Telecommunications	6.91
Utilities	3.54
Technology	1.57
Futures	0.04
Net other assets	1.54
<b>Total</b>	<b>100.00</b>

## Asset allocation

2012	%
Financials	21.44
Oil & Gas	16.65
Consumer Goods	13.44
Basic Materials	9.93
Consumer Services	9.29
Industrials	8.92
Healthcare	7.14
Telecommunications	5.96
Utilities	3.93
Technology	1.42
Futures	(0.03)
Net other assets	1.91
<b>Total</b>	<b>100.00</b>

## Report and accounts

This document is a short report of the Henderson UK Index Fund for the year ended 31 October 2013.

Copies of the annual and half yearly long form report and financial statements of this Fund are available on our website [www.henderson.com](http://www.henderson.com) or contact Client Services on the telephone number provided.

## Other information

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

### Issued by:

Henderson Investment Funds Limited  
Registered office:  
201 Bishopsgate, London EC2M 3AE

Member of the IMA and authorised and regulated by the Financial Conduct Authority.  
Registered in England No 2678531

### Depository

HSBC Bank plc  
8 Canada Square, Canary Wharf, London E14 5HQ

From 20 May 2013  
National Westminster Bank plc  
135 Bishopsgate  
London EC2M 3UR

Authorised and regulated by the Financial Conduct Authority.

### Investment Manager

State Street Global Advisors Limited  
20 Churchill Place, Canary Wharf, London E14 5HJ

Authorised and regulated by the Financial Conduct Authority.

## Risk warning

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## Important Information

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### Registrar

International Financial Data Services (UK) Limited  
IFDS House, St. Nicholas Lane, Basildon SS15 5FS

Authorised and regulated by the Financial Conduct Authority.

### Auditor

PricewaterhouseCoopers LLP  
141 Bothwell Street, Glasgow G2 7EQ

Institute of Chartered Accountants in England and Wales.

## Contact us

Client Services 0800 832 832  
[www.henderson.com](http://www.henderson.com)

Head Office address:  
201 Bishopsgate, London EC2M 3AE

### Changes of address – regulatory requirements

FCA regulation requires us to send this report mailing to the address held on file on the accounting date of 31 October 2013. If you have confirmed a change of address with us since that date we will ensure all future correspondence will be sent to your new address.

### Online valuations

You can value your Henderson UK Index Fund at any time by logging on to [www.henderson.com](http://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](mailto:support@henderson.com).

### Important Information

Henderson Global Investors is the name under which Henderson Global Investors Limited (reg. no. 906355), Henderson Fund Management Limited (reg. no. 2607112), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795554), Henderson Alternative Investment Advisor Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2606646), Gartmore Investment Limited (reg. no. 1508030), (each incorporated and registered in England and Wales with registered office at 201 Bishopsgate, London EC2M 3AE) are authorised and regulated by the Financial Conduct Authority to provide investment products and services. Telephone calls may be recorded and monitored. Ref: 34V

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

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