

INTERIM SHORT REPORT

For the six months ended
31 December 2013

Henderson Strategic Bond Fund

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Short Report

For the six months ended 31 December 2013

Fund Managers

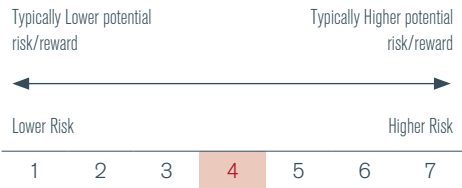
John Pattullo and Jenna Barnard

Investment objective and policy

To provide a return by investing in higher yielding assets including high yield bonds, investment grade bonds, government bonds, preference shares and other bonds. The Fund may also invest in equities. The Fund will take strategic asset allocation decisions between countries, asset classes, sectors and credit ratings. 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 8 types of share class in issue; A income, A gross income, I accumulation, I gross accumulation, I income, I gross income, Z accumulation and Z gross accumulation. Each type of share class has the same risk and reward profile which 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 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 Factors" section of the Fund's prospectus.

Fund Managers' commentary

The Fund outperformed the IMA GBP Strategic Bond Sector over the six-month review period. The Fund's strong performance was driven by overweight positions in higher yielding corporate and financial bonds. These bonds benefited from the improvement in the economic backdrop (making default rates more likely to remain at record low

levels) and additional risk appetite from investors who sought out these areas of the market. Two investments of particular note were the 6.55% 2042 bond issued by Verizon (to fund its purchase of Vodafone's stake in the company) and the Nationwide Contingent Credit Default Swap (a type of credit derivative contract), which was issued with a yield of 10.25%. The Fund benefited when these securities' prices rose.

More broadly the Fund continued to seek out bonds issued by UK & European banks under the previous regulatory regime. These bonds are being phased out by regulators after their failure to absorb losses during the banking crisis (resulting in taxpayer bail-outs of the banks). In order to redeem these bonds earlier than the scheduled maturity date, the banks will have to pay investors a price premium. In the meantime, we are paid a yield of 5-6.5% by these bonds issued by banks such as Lloyds Banking Group. Another favoured area of the bond market remains those rated below investment grade. We are still finding what we believe to be good value opportunities in bonds issued in this segment of the market. Examples included Automobile Association, which issued a 2019 bond with a 9.5% coupon in

June 2013. Other opportunities came from company turnaround stories following a period of weak performance. Thomas Cook (travel operator) and Europcar (car rental) bonds fall into this category; they have benefited from management actions to stabilise their businesses.

Performance was also enhanced by a tactical allocation to government bonds in September following an aggressive sell-off in the summer months, which caused these bonds to move higher in yield terms (lower prices). We felt that investors had overreacted to the idea of the Federal Reserve scaling back ('tapering') its purchases of government bonds, and that this provided an attractive entry point into these assets. In addition performance was boosted by extra exposure to credit markets in the final three months of the year, through an investment in the iTraxx Crossover Index.

The Fund's relative underperformers during the six months under review were investment grade bonds. These bonds, issued by the blue-chip companies, suffered from the earlier summer repricing of government bonds and a relative lack of yield, which meant that demand fell among investors.

Performance summary

	30 Jun 13- 31 Dec 13 %	30 Jun 12- 31 Dec 12 %	30 Jun 11- 31 Dec 11 %	30 Jun 10- 31 Dec 10 %	30 Jun 09- 31 Dec 09 %
Henderson Strategic Bond Fund	5.1	8.7	(5.6)	5.0	22.1

Source : Morningstar - mid to mid (excluding initial charges) with net revenue 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 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* 31/12/13 p	Net asset value* 30/06/13 p	Net asset value % change
Class A income	125.06	121.88	2.61
Class I income	132.46	128.67	2.95
Class I accumulation	270.93	257.09	5.38
Class Z accumulation	289.04	273.05	5.86
Class A gross income	126.61	123.38	2.62
Class I gross income	99.03	96.18	2.96
Class I gross accumulation	305.19	287.79	6.05
Class Z gross accumulation	308.65	289.75	6.52

*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, last day of February, 31 May

Ongoing charge figure

	31/12/13 %	30/06/13 %
Class A	1.42*	1.45
Class I	0.70**	0.72
Class Z	0.04***	0.05

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

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

From 10 August 2013, the General Administration Charge (GAC) decreased:

* From 0.18% to 0.14%

** From 0.10% to 0.075%

*** From 0.03% to 0.023%

Net revenue distribution

Share class	31/12/13 p	31/12/12 p
Class A income	3.06	3.07
Class I income	3.26	3.26
Class I accumulation	6.64	6.32
Class Z accumulation	7.06	6.69
Class A gross income	3.87	3.89
Class I gross income	3.06	3.06
Class I gross accumulation	9.36	8.81
Class Z gross accumulation	9.39	8.79

Total interest distributions for the period ended 31 December 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			
2009	6.60	123.90	91.00
2010**	2.11	124.30	121.70
Class A income			
2009	6.70	126.30	92.50
2010	7.67	131.40	119.90
2011	6.93	127.00	111.10
2012	6.07	128.20	113.10
2013	5.82	129.60+	122.40+
2014	1.60*	-	-
Class I income			
2009	6.87	130.00	94.70
2010	7.98	135.50	123.90
2011	7.32	131.90	115.60
2012	6.44	134.60	117.90
2013	6.18	136.30+	128.90+
2014	1.71*	-	-
Class I accumulation			
2009	10.88	213.80	148.80
2010	13.43	230.50	212.30
2011	13.08	237.70	214.30
2012	12.19	262.70	221.80
2013	12.27	274.80+	259.00+
2014	3.50*	-	-
Class Z accumulation			
2009	11.13	219.90	152.30
2010	13.89	238.40	219.00
2011	13.65	246.70	223.00
2012	12.79	275.53	230.90
2013	13.16	290.20+	272.50+
2014	3.72*	-	-

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A gross income			
2009	8.48	128.40	93.60
2010	9.70	133.10	121.40
2011	8.76	128.90	112.50
2012	7.68	130.20	114.50
2013	7.36	131.40+	123.90+
2014	2.03*	-	-
Class I gross income			
2009	6.43	97.70	70.90
2010	7.48	101.60	92.70
2011	6.84	99.02	86.62
2012	6.04	101.10	88.33
2013	5.80	102.20+	96.51+
2014	1.60*	-	-
Class I gross accumulation			
2009	14.39	229.30	157.70
2010	18.07	250.40	229.20
2011	17.81	260.30	236.00
2012	16.86	293.90	245.10
2013	17.23	311.10+	291.40+
2014	4.94*	-	-
Class Z gross accumulation			
2010***	17.19	244.50	100.00
2011	17.50	255.00	231.70
2012	16.69	290.90	241.00
2013	17.28	309.90+	289.30+
2014	4.95*	-	-

* to 28 February 2014

+ to 31 December 2013

** Class X merged with Class A on 11 January 2010

*** Class Z gross accumulation launched December 2009

Past performance is not a guide to future performance.

Major holdings	
as at 31/12/13	%
Daily Mail & General Trust 5.75% 07/12/2018	2.05
Ziggo Finance 8% 15/05/2018	1.95
BUPA Finance Variable Perpetual	1.89
HBOS Capital Funding 6.461% Perpetual	1.72
Alliance Boots FRN 07/07/2017	1.69
Gala 8.875% 01/09/2018	1.65
INEOS Variable 7.875% 15/02/2016	1.51
AA 9.5% 31/07/2019	1.35
Barclays Bank 10% 21/05/2021	1.35
Nationwide Building Society Variable Perpetual	1.35

Asset allocation	
as at 31/12/13	%
UK corporate bonds	44.82
European corporate bonds	24.70
United States corporate bonds	11.66
Secured loans	7.78
Floating rate notes	2.01
Derivatives	1.57
Net other assets	7.46
Total	100.00

Major holdings	
as at 30/06/13	%
Ziggo Finance 8% 15/05/2018	2.56
Daily Mail & General Trust 5.75% 07/12/2018	2.06
BUPA Finance Variable Perpetual	1.84
Alliance Boots FRN 07/07/2017	1.70
Gala 8.875% 01/09/2018	1.65
HBOS Capital Funding 6.461% Perpetual	1.56
Scottish Widows 7% Perpetual	1.53
WPP Finance 4.75% 21/11/2021	1.42
Barclays Bank 10% 21/05/2021	1.35
Virgin Media Finance 8.875% 15/10/2019	1.22

Asset allocation	
as at 30/06/13	%
UK corporate bonds	46.04
European corporate bonds	20.61
United States corporate bonds	13.31
Secured loans	6.44
Floating rate notes	2.07
Canadian corporate bonds	0.05
Derivatives	(0.31)
Net other assets	11.79
Total	100.00

Report and accounts

This document is a short report of the Henderson Strategic Bond Fund for the six months ended 31 December 2013.

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

Other information

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

Issued by:

Henderson Investment Funds Limited

Registered office:

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

Risk warning

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

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Auditor

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Changes of address - regulatory requirements

FCA regulation requires us to send this report mailing to the address held on file on the accounting date of 31 December 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 Strategic Bond Fund at any time by logging on to www.henderson.com. Select 'Personal Investor' and then access 'Valuations' from the Tools Menu. Simply select the fund you hold and enter the appropriate number of shares.

Any questions?

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

Important Information

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

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