



Henderson

UK Strategic Income

Unit Trust

Interim Report & Accounts
For the six months ended 30 September 2013

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 £70.8[†] billion assets under management (as at 30 September 2013) and employs around 1,000 people worldwide.

Henderson's principal place of business is in London and the majority of Henderson's investment and operational activities are conducted here. Additional offices are located in Chicago, Hartford, Philadelphia, Edinburgh, Dublin, Paris, Madrid, Zurich, Luxembourg, Amsterdam, Frankfurt, Milan, Vienna, Stockholm, New Delhi, Singapore, Beijing, Hong Kong, Tokyo and Sydney. The main Asia/Pacific operations are conducted out of Singapore and the US operations out of Chicago and Hartford. Equity investment professionals are also located in Edinburgh and Singapore and additional fixed income investment professionals are located in Philadelphia. Distribution is conducted out of the majority of offices world-wide.

Henderson Group plc acquired New Star Asset Management Group PLC in April 2009 and Gartmore Group Limited in April 2011. In 2012 a Funds Management business was established in Australia and in 2013 Henderson expanded its global product offering with the acquisition of Northern Pines and a US credit team.

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.

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.

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.

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*These collectively comprise the Authorised Manager's Report.

Manager's report as at 30 September 2013

We are pleased to present the Report and accounts for Henderson UK Strategic Income Unit Trust for the six months ended 30 September 2013.

Authorised status

The Henderson UK Strategic Income Unit Trust is an authorised unit trust scheme under Section 243 of the FSMA 2000 Act and is a non-UCITS Retail Scheme (NURS) operating under Chapter 5 of the Collective Investment Schemes sourcebook (COLL) issued by the Financial Services Authority.

The Fund was established on 10 July 2006 and authorised by the FCA on 13 July 2006.

Advisers

| | Name | Address | Regulator |
|-----------------------------|---|--|---|
| Manager and Dealing | Henderson Investment Funds Limited which is the Manager Member of IMA The ultimate holding company is Henderson Group Plc. | Registered Office: 201 Bishopsgate, London EC2M 3AE Registered in England No 2678531 Telephone - 020 7818 1818 Dealing - 0845 608 8703 Enquiries - 0800 832 832 | Authorised and regulated by the Financial Conduct Authority |
| Investment Adviser | Henderson Global Investors Limited The ultimate holding company is Henderson Group Plc. | 201 Bishopsgate, London EC2M 3AE | Authorised and regulated by the Financial Conduct Authority |
| Registrar | International Financial Data Services (UK) Limited | IFDS House St Nicholas Lane Basildon Essex SS15 5FS | Authorised and regulated by the Financial Conduct Authority |
| Trustee | National Westminster Bank plc | 135 Bishopsgate London EC2M 3UR | Authorised and regulated by the Financial Conduct Authority |
| Independent Auditors | KPMG Audit Plc | Saltire Court 20 Castle Terrace Edinburgh EH1 2EG | Institute of Chartered Accountants in England and Wales |
| Legal Adviser | Eversheds LLP | One Wood Street London EC2V 7WS | The Law Society |

Manager's report (continued)

Fund Manager

Paul Craig

Investment objective and policy

To achieve a high level of income.

The Fund will invest principally in the UK in a managed portfolio of investment trust shares and other closed-ended vehicles. The Fund may also invest in exchange traded funds, unregulated collective investment schemes (which include limited partnerships), money market instruments and deposits.

Performance summary

| | 31 Mar 13- 30 Sep 13 | 31 Mar 12- 30 Sep 12 | 31 Mar 11- 30 Sep 11 | 31 Mar 10- 30 Sep 10 | 31 Mar 09- 30 Sep 09 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | % | % | % | % | % |
| Henderson UK Strategic Income Unit Trust | 4.0 | 1.2 | (11.2) | 3.1 | 58.6 |
| FTSE All-Share Index | 3.8 | 2.0 | (11.8) | 0.2 | 35.7 |

Source: Morningstar, mid to mid, net revenue reinvested, 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 and you may not get back the amount originally invested.

Significant portfolio changes for the six months ended 30 September 2013

| Largest purchases | £000 | Largest sales | £000 |
|--------------------------|-------------|--------------------------------------|--------------|
| | | Japan Residential Investment | 647 |
| | | Smaller Companies Dividend Trust | 306 |
| | | Montanaro European Smaller Companies | 66 |
| | | Polar Capital Financials Fund | 52 |
| | | Finsbury Growth & Income Trust | 49 |
| | | Total sales | 1,120 |

Please note there were no purchases during this period.

All sales have been included for the period.

Manager's report (continued)

Fund Manager's commentary

Political change, evolving central bank policies, and economic data continued to play a decisive role in determining global market direction throughout the review period. Overall, it was a positive period for UK equities with the FTSE All-Share Index gaining nearly 4% on a total return basis. Central banks took decisive action with the UK, Japan, and the US engaging in further quantitative easing (QE) to stimulate economic activity, while the European Central Bank's (ECB) outright monetary transactions (OMTs) removed much of the larger risks associated with the eurozone.

Against this backdrop, it is pleasing to report that while the UK Strategic Income Fund only achieved a comparable return with the broader index (adjusted for the change in the pricing basis), it did so with considerably less volatility. This in part reflects a broader diversification than the index, and a higher weighting in value orientated stocks including equity income, healthcare, property and private equity. It is, however, disappointing that a change in the pricing basis on the last day of the month gives the impression that the Fund underperformed the peer group over the period.

Portfolio activity was extremely muted consisting only of sales generally to meet unitholder redemptions, which involved top slicing a number of larger positions and/or holdings that had performed well including Edinburgh, Fidelity Special Values, Finsbury Growth & Income and Lowland.

There were no significant changes to stocks or sectors other than to reduce concentration following strong returns and/or unitholder redemptions.

The rally in UK equity markets over the past year has been largely driven by a rerating, rather than by a material improvement in corporate earnings growth. Indeed, FTSE earnings declined in 2012 and only modest growth is expected in 2013.

More recently, financial markets were primarily focused on US monetary policy, German elections, tensions in Syria and the Chinese economy. Some of these risks have by now ebbed, which has seen higher beta, more cyclical asset classes rally. However, following the surprise decision by the US Federal Reserve to delay 'tapering' asset purchases in September, investors have begun to question the strength of the US economic recovery together with concerns about when the US central bank will begin withdrawing liquidity. On a positive note, at least the US budget and debt ceiling issues have been resolved in the short term as US politicians have taken a leaf out of the European politicians' book by simply kicking the can further down the road.

Against this backdrop, investors will increasingly desire stronger economic and corporate earnings growth to sustain their interest in equities and risk assets in general.

Consequently, we continue to believe the Fund's exposure to a broad selection of asset classes and investment strategies through closed-end funds, some of which stand at wide discounts to net asset value, provide an attractive means to invest in financial markets while also providing a good level of income. Furthermore, we believe that our underlying managers are well positioned to capture a recovery in corporate earnings while discount contraction would provide the icing on the cake.

Comparative tables as at 30 September 2013

Net asset value per unit

| | Net asset value of Fund (£) | Number of units in issue (£) | Net asset value per unit (pence) |
|---------------------|--------------------------------------|---------------------------------------|---|
| Income units | | | |
| 31/03/2011 | 21,924,649 | 229,872,213 | 9.54 |
| 31/03/2012 | 18,725,769 | 206,597,892 | 9.06 |
| 31/03/2013 | 17,675,238 | 173,413,071 | 10.19 |
| 30/09/2013 | 16,840,973 | 163,513,734 | 10.30 |

Performance record

| Calendar year | Net revenue (pence per unit) | Highest offer price (pence per unit) | Lowest bid price (pence per unit) |
|---------------------|---------------------------------|---|--------------------------------------|
| Income units | | | |
| 2008 | 0.77 | 16.21 | 6.71 |
| 2009 | 0.65 | 9.72 | 5.54 |
| 2010 | 0.49 | 10.46 | 8.11 |
| 2011 | 0.48 | 10.59 | 8.48 |
| 2012 | 0.42 | 10.23 | 8.70 |
| 2013 | 0.44* | 11.36+ | 9.40+ |

* to 29 November

+ to 30 September

Ongoing charge figure*

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. Ongoing charges are all expenses deducted from the assets of the Fund during the period, except for expenses that are explicitly excluded by regulation.

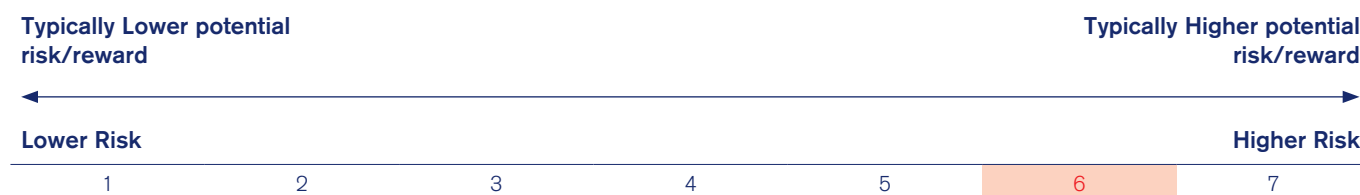
| | 30/09/13 | 31/03/13 |
|---------------------|-----------------|-----------------|
| | % | % |
| Income units | 1.69† | 1.70 |

† From 9 August 2013, the General Administration Charge (GAC) decreased from 0.18% to 0.14%.

* This Fund is not a UCITS retail fund, we have adopted this disclosure to enable comparison across our fund range.

Risk and reward profile

The Fund currently has 1 unit class in issue; Income units. The risk and reward profile of the unit class 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 invests in a mix of different asset classes.
- 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.

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.

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.

Since the issue of the KIID there have been no changes to the risk rating in the period.

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

The SRRI conforms to the CESR guidelines for the calculation of the SRRI.

Portfolio statement as at 30 September 2013

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|---|--|----------------------|---|
| Collective investment schemes 10.16% (31/03/13: 9.72%) | | | |
| 580,000 | Montanaro European Smaller Companies | 850 | 5.05 |
| 590,000 | Polar Capital Financials Fund | 861 | 5.11 |
| | | <u>1,711</u> | <u>10.16</u> |
| Investment trusts 72.70% (31/03/13: 75.93%) | | | |
| 2,050,000 | Aberdeen Development Capital*** | - | - |
| 200,000 | Alcentra European Floating Rate Income | 216 | 1.28 |
| 1,380,000 | Aseana Properties | 358 | 2.13 |
| 380,006 | City Natural Resources High Yield | 555 | 3.30 |
| 750,000 | Danae* | - | - |
| 1,500,000 | Develica Deutschland* | - | - |
| 550,000 | Eastern European Property | 429 | 2.55 |
| 750,000 | Ecofin Water & Power Opportunities | 953 | 5.66 |
| 52,363 | Edinburgh Investment Trust | 314 | 1.86 |
| 33,641 | European Assets | 304 | 1.81 |
| 1,550,000 | Evolve India | 383 | 2.27 |
| 115,000 | Fidelity Special Values | 968 | 5.75 |
| 45,000 | Finsbury Growth & Income Trust | 216 | 1.28 |
| 2,250,000 | Greenwich Loan Income | 1,153 | 6.85 |
| 380,339 | Henderson High Income Trust+ | 621 | 3.69 |
| 29,128 | Henderson Private Equity Trust+ | 71 | 0.42 |
| 1,500,000 | Invesco Perpetual Recovery** | - | - |
| 1,735,500 | Investors Capital Trust | 1,631 | 9.68 |
| 4,600,000 | Jupiter Primadonna Growth Trust | 170 | 1.01 |
| 1,025,032 | M&G High Income Trust | 533 | 3.16 |
| 200,000 | Manchester & London Investment Trust | 604 | 3.59 |
| 1,050,000 | Middlefield Canadian Income Trust | 1,071 | 6.36 |
| 425,000 | Polar Capital Global Healthcare Growth & Income Trust | 612 | 3.63 |
| 150,000 | Polar Capital Global Healthcare Growth & Income (sub shares) Trust | 59 | 0.35 |
| 2,500,000 | Premier Equity Income & Bond Trust* | - | - |
| 250,000 | Promethean | 25 | 0.15 |
| 91,105 | Quorum Oil & Gas Technology Preference | 174 | 1.03 |
| 280,000 | Smaller Companies Dividend Trust | 441 | 2.62 |
| 2,000,000 | Speymill Deutsche Immobilien** | - | - |
| 633,813 | Troy Income & Growth Trust | 383 | 2.27 |
| | | <u>12,244</u> | <u>72.70</u> |
| Equities 7.30% (31/03/13: 5.67%) | | | |
| 1,376,242 | Renewable Energy Generation | 1,073 | 6.37 |
| 125,000 | Stobart | 156 | 0.93 |
| | | <u>1,229</u> | <u>7.30</u> |

Portfolio statement (continued)

| Holding | Investment | Market value £000 | Percentage of total net assets % |
|--|--|-------------------------|---|
| Convertible bonds 9.75% (31/03/13: 9.29%) | | | |
| 750,000 | Ecofin Water & Power Opportunities 6% 31/07/2016 | 769 | 4.57 |
| 25,000 | Premier Farnell 0.892% 29/04/2016 | 388 | 2.30 |
| 450,000 | SVG Capital 8.25% 05/06/2016 | 485 | 2.88 |
| | | <u>1,642</u> | <u>9.75</u> |
| Investment assets | | 16,826 | 99.91 |
| | Net other assets | 15 | 0.09 |
| Net Assets | | 16,841 | 100.00 |

+ Related party

* Written Down

** Delisted

*** Suspended security

Statement of total return for the six months ended 30 September 2013 (unaudited)

| | 30/09/13 | | 30/09/12 | |
|--|------------|------------|------------|------------|
| | £000 | £000 | £000 | £000 |
| Income | | | | |
| Net capital gains | | 287 | | 380 |
| Revenue | 402 | | 433 | |
| Expenses | (148) | | (152) | |
| Finance costs: Interest | - | | (3) | |
| | <u>254</u> | | <u>278</u> | |
| Net revenue before taxation | 254 | | 278 | |
| Taxation | (1) | | (1) | |
| | <u>253</u> | | <u>277</u> | |
| Total return before distributions | | 540 | | 657 |
| Finance costs: Distributions | | (378) | | (407) |
| Change in net assets attributable to unitholders from investment activities | | <u>162</u> | | <u>250</u> |

Statement of change in net assets attributable to unitholders for the six months ended 30 September 2013 (unaudited)

| | 30/09/13 | | 30/09/12 | |
|---|----------|---------------|----------|---------------|
| | £000 | £000 | £000 | £000 |
| Opening net assets attributable to unitholders | | 17,675 | | 18,726 |
| Amounts receivable on issue of units | 296 | | 114 | |
| Amounts payable on cancellation of units | (1,293) | | (1,895) | |
| | | (997) | | (1,781) |
| Stamp duty reserve tax | | (1) | | (1) |
| Unclaimed distributions | | 2 | | 4 |
| Change in net assets attributable to unitholders from investment activities (see above) | | 162 | | 250 |
| Closing net assets attributable to unitholders | | <u>16,841</u> | | <u>17,198</u> |

Balance sheet as at 30 September 2013 (unaudited)

| | 30/09/13 | | 31/03/13 | |
|---|----------|--------|----------|--------|
| | £000 | £000 | £000 | £000 |
| Assets | | | | |
| Investment assets | | 16,826 | | 17,783 |
| Debtors | 187 | | 37 | |
| Cash and bank balances | 156 | | 124 | |
| Total other assets | | 343 | | 161 |
| Total assets | | 17,169 | | 17,944 |
| Liabilities | | | | |
| Creditors | 26 | | 81 | |
| Bank overdrafts | 127 | | 37 | |
| Distribution payable on income units | 175 | | 151 | |
| Total other liabilities | | 328 | | 269 |
| Total liabilities | | 328 | | 269 |
| Net assets attributable to unitholders | | 16,841 | | 17,675 |

Certification of financial statements by Directors of the Manager

In accordance with the requirements of the Financial Conduct 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.



Lesley Cairney
(Chief Operating Officer)



Richard McNamara
(Director)

14 November 2013

Notes to the financial statements for the six months ended 30 September 2013

Accounting and distribution policies

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.

The accounting and distribution policies applied are consistent with those of the financial statements for the year ended 31 March 2013 and are described in those annual accounts.

Distribution table for the six months ended 30 September 2013 (in pence per unit)

Interim dividend distribution (accounting date 30 June 2013, paid on 30 August 2013)

Group 1: units purchased prior to 1 April 2013

Group 2: units purchased on or after 1 April 2013

| | Net revenue | Equalisation | Distribution paid 30/08/2013 | Distribution paid 31/08/2012 |
|---------------------|--------------------|---------------------|---|---|
| Income units | | | | |
| Group 1 | 0.1171 | - | 0.1171 | 0.1064 |
| Group 2 | 0.0378 | 0.0793 | 0.1171 | 0.1064 |

Interim dividend distribution (accounting date 30 September 2013, paid on 29 November 2013)

Group 1: units purchased prior to 1 July 2013

Group 2: units purchased on or after 1 July 2013

| | Net revenue | Equalisation | Distribution paid 29/11/2013 | Distribution paid 30/11/2012 |
|---------------------|--------------------|---------------------|---|---|
| Income units | | | | |
| Group 1 | 0.1069 | - | 0.1069 | 0.0999 |
| Group 2 | 0.0117 | 0.0952 | 0.1069 | 0.0999 |

Unitholder 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 lines are also available:

Client 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.

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. 1795354), 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 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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