

Henderson

Strategic Bond Fund

Short Report

For the six months ended 31 December 2011

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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 profile

The Fund's management charge is taken from its capital, this may allow more income to be paid, however, it may also restrict capital growth or even result in capital erosion over time. Derivative transactions may be used from time to time in order to meet the investment objective of the Fund. If they are used this may lead to greater volatility in the price of the Fund. Where the Fund is a specialist country-specific or geographical region fund, the investment carries greater risk than a fund diversified across more countries.

The Fund invests in bonds, therefore there is a risk that interest rate fluctuations could affect the capital value of investments. Where long term interest rates rise, the capital value of shares/units is likely to fall, and vice versa. In addition to the interest rate risk, bond investments are also exposed to credit risk reflecting the ability of the borrower (i.e. bond issuer) to meet its obligations (i.e. pay the interest on a bond and return the capital on the redemption date). The risk of this happening is usually higher with bonds classified as 'sub-investment grade'. These may produce a higher level of income but at a higher risk than investments in 'investment grade' bonds. In turn, this may have an adverse impact on the Fund.

Manager's commentary

The second half of 2011 witnessed a sharp reversal in the fortunes of credit markets from the first half of the year. Adverse political developments in the US (the August debt ceiling stand-off and loss of the AAA rating) and the ongoing European debt crisis caused investor confidence to collapse. The result was a rush towards perceived safe havens (UK, US and German government bonds) and out of riskier corporate bonds, driving valuations in both markets to extreme levels. Having feared inflation and worried about the prospect of interest rate rises at the beginning of the year the bond market was converted to the theme of deflation and moved to price in little to no prospect of interest rate rises in the coming few years. It is an understatement to say that it was a year of two halves. Despite a faltering and timid response to the raging peripheral crisis in Europe, the European Central Bank did make a significant policy change in December of 2011 by offering unlimited three-year funding to the banking sector, thereby staving off the prospect of further banking failures and raising the prospect of the banking sector being able to purchase government bonds. Despite the circularity and risks inherent in this policy it worked to improve confidence and reduce the fears of a disorderly collapse of the euro system as the year ended.

Liquidity in corporate bond markets fell as volatility in risk assets increased. This made transacting in bonds both more expensive and, in some cases, difficult to do at all. As a result we made more extensive use of derivatives in order to implement strategies through the second half of the year and to express tactical views. The holdings of corporate bonds were relatively stable, albeit with some pruning of those names which were likely to face fundamental challenges in a lower growth environment, a reduction in the banking exposure and a focus on purchases of defensive industries such as cable TV (Kabel Deutschland in particular) and better quality high yield bonds (Crown

Holdings, William Hill, Digicel, and Rexel). The fund also added to its investment grade holdings through purchases of British Telecom, Hammerson and BAA bonds. The major detractor from performance proved to be the relative underweight position in UK government bonds as the announcement of another round of quantitative easing combined with a weak economic backdrop pushed gilt yields to historic lows.

In the current market we are finding many opportunities to invest in seasoned credits with sensible capital structures offering yields of between 5% and 9%. These select names offer, in our mind, low default risk but an attractive income stream. This

sits in sharp contrast to the UK government bond market where yields are being artificially manipulated to remain low through the Bank of England's quantitative easing policies and, which offer little medium term value. Equally we are not attracted to the more default sensitive areas of the market at higher yields due to the economic uncertainty, which continues to weigh on the outlook. The middle ground of yield opportunities, therefore, seems to offer the best hunting ground for the Fund.

John Pattullo and Jenna Barnard
17 January 2012

Summary of Fund performance

Share class	Net asset value 31/12/11 p	Net asset value 30/06/11 p	Net asset value % change
Class A income	112.35	122.68	(8.42)
Class I income	116.56	127.49	(8.57)
Class I accumulation	219.24	233.08	(5.94)
Class Z accumulation	226.21	242.11	(6.57)
Class A gross income	113.73	124.20	(8.43)
Class I gross income	87.65	95.48	(8.20)
Class I gross accumulation	243.22	255.66	(4.87)
Class Z gross accumulation	234.94	250.62	(6.26)

Fund facts

Accounting dates	Payment dates
30 June, 31 December	31 August, 30 November, 29 February, 31 May

Total expense ratio	31/12/11 %	30/06/11 %
Class A	1.45	1.45
Class I	0.68	0.68
Class Z	0.05	0.05

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

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class X income			
2007	7.67	131.50	121.90
2008	6.63	122.10	96.71
2009	6.60	123.90	91.00
2010**	2.11	124.30	121.70
Class A income			
2007	7.77	132.20	123.00
2008	6.71	123.30	98.03
2009	6.70	126.30	92.50
2010	7.67	131.40	119.90
2011	6.93	127.00+	111.10+
2012	1.66*	-	-
Class I income			
2007	7.83	133.60	124.90
2008	6.81	125.60	100.20
2009	6.87	130.00	94.70
2010	7.98	135.50	123.90
2011	7.33	131.90+	115.60+
2012	1.75*	-	-
Class I accumulation			
2007	10.98	187.10	181.50
2008	10.13	188.60	154.60
2009	10.88	213.80	148.80
2010	13.43	230.50	212.30
2011	13.08	237.70+	214.30+
2012	3.25*	-	-
Class Z accumulation			
2007	11.19	189.70	184.90
2008	10.28	192.10	157.90
2009	11.13	219.90	152.30
2010	13.89	238.40	219.00
2011	13.64	246.70+	223.00+
2012	3.40*	-	-

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A gross income			
2007	9.94	134.20	124.90
2008	8.46	125.10	99.40
2009	8.48	128.40	93.60
2010	9.70	133.10	121.40
2011	8.76	128.90+	112.50+
2012	2.10*	-	-
Class I gross income			
2007	7.35	100.20	93.70
2008	6.36	94.21	75.13
2009	6.43	97.70	70.90
2010	7.48	101.60	92.70
2011	6.84	99.02+	86.62+
2012	1.64*	-	-
Class I gross accumulation			
2007	14.14	192.90	187.60
2008	13.18	197.30	162.80
2009	14.39	229.30	157.70
2010	18.07	250.40	229.20
2011	17.81	260.30+	236.00+
2012	4.48*	-	-
Class Z gross accumulation			
2010***	17.19	244.50	100.00
2011	17.49	255.00+	231.70+
2012	4.41*	-	-

* to 29 February

+ to 31 December

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

*** Z gross accumulation launched 6 December 2009.

Past performance is not a guide to future performance.

Net revenue distribution

	31/12/11 p	31/12/10 p
Share class		
Class A income	3.18	3.63
Class I income	3.37	3.82
Class I accumulation	6.21	6.63
Class Z accumulation	6.48	6.88
Class A gross income	4.03	4.60
Class I gross income	3.16	3.58
Class I gross accumulation	8.53	8.99
Class Z gross accumulation	8.41	8.80

Total interest distributions for the period ended 31 December 2011, comparison is for the same period last year.

Major holdings

as at 31/12/11	%
UK Treasury 5% 07/03/2012	5.69
UK Treasury 4.5% 07/03/2013	5.15
UK Treasury 5.25% 07/06/2012	5.02
US Treasury Note 0.125% 31/08/2013	4.92
Legal & General 6.385% 02/05/2017	2.46
BUPA Finance 6.125% Perpetual	2.06
ITV 5.375% 19/10/2015	1.93
Ziggo Bond 8% 15/05/2018	1.77
Daily Mail & General Trust 5.75% 07/12/2018	1.71
Rexam 6.75% 29/06/2067	1.43

Major holdings

as at 30/06/11	%
Legal & General 6.385% Perpetual	2.50
BUPA Finance 6.125% Perpetual	2.22
Ziggo Bond 8% 15/05/2018	1.75
ITV 5.375% 19/10/2015	1.71
Daily Mail & General Trust 5.75% 07/12/2018	1.53
Wind Acquisition Finance 11.75% 15/07/2017	1.34
Lottomatica 8.25% 31/03/2066	1.31
Rexam 6.75% 29/06/2067	1.27
Credit Suisse Finance Guernsey 6.875% Perpetual	1.18
HeidelbergCement Finance 8.5% 31/10/2019	1.18

Discrete annual performance

	01 Jan 11- 31 Dec 11 %	01 Jan 10- 31 Dec 10 %	01 Jan 09- 31 Dec 09 %	01 Jan 08- 31 Dec 08 %	01 Jan 07- 31 Dec 07 %
Henderson Strategic Bond Fund	(2.2)	4.6	31.9	(13.4)	0.2
Sector average*	3.6	8.6	22.7	(15.8)	(0.0)

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

* Average Morningstar £ Strategic Bond sector.

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.

Asset allocation	
as at 31/12/11	%
UK corporate bonds	37.26
European corporate bonds	24.18
UK government bonds	15.86
Secured loans	6.93
United States government bonds	4.92
United States corporate bonds	3.62
Floating rate notes	2.35
Derivatives	0.42
Canadian corporate bonds	0.20
Net other assets	4.26
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 2011.

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 investor 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,
London EC2M 3AE
Member of the IMA and authorised and regulated
by the Financial Services Authority.
Registered in England No 2678531

Asset allocation	
as at 30/06/11	%
UK corporate bonds	36.87
European corporate bonds	35.28
Secured loans	7.89
United States corporate bonds	6.55
Floating rate notes	2.61
Canadian corporate bonds	0.58
Derivatives	(0.10)
Net other assets	10.32
Total	100.00

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.

Important information

On 1 October 2011, the Depositary changed from The Royal Bank of Scotland plc to National Westminster Bank plc.

Depositary

The Royal Bank of Scotland plc
The Broadstone
50 South Gyle Crescent
Edinburgh EH12 9UZ

From 1 October 2011
National Westminster Bank plc
135 Bishopsgate
London EC2M 3UR

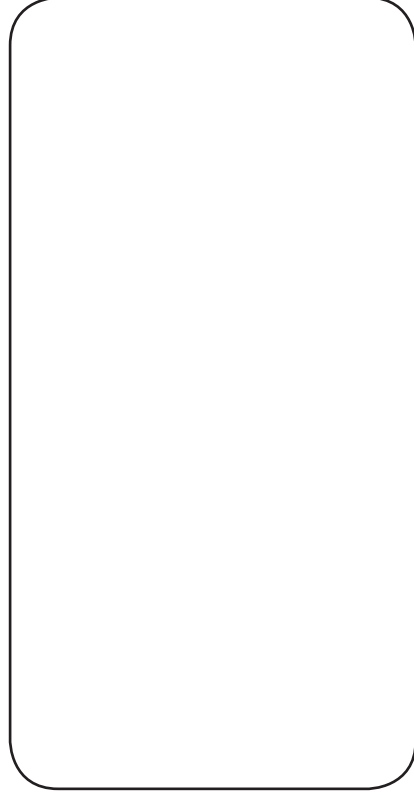
Auditor

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Contact us

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Changes of address - regulatory requirements

FSA regulation requires us to send this report mailing to the address held on file on the ex-dividend date of 31 December 2011. 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

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), (each incorporated and registered in England and Wales with registered office at 201 Bishopsgate, London EC2M 3AE), Gartmore Investment Limited (reg. no. 1508030), Gartmore Fund Managers Limited (reg. no. 1137353), (each incorporated and registered in England and Wales with registered office 201 Bishopsgate, London EC2M 3AE) are authorised and regulated by the Financial Services Authority to provide investment products and services. Telephone calls may be recorded and monitored.

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

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