

Henderson

UK Equity Income

Fund

Short Report

For the six months ended 31 December 2011

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Investment objective and policy

To aim to provide income in excess of the yield of the FTSE All Share Index, with some prospects for capital growth, by investing primarily in United Kingdom companies. The Fund may invest in fixed interest and convertible securities as well as ordinary shares. 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 capital, this may allow more income to be paid, however, it may also restrict capital growth or even result in capital erosion over time.

The Fund is a specialist country-specific or geographical region fund, therefore the investment carries greater risk than a fund diversified across more countries.

Manager's commentary

During the period, the problems surrounding the indebtedness of both governments and consumers in western democracies came to the fore; it is these concerns that could lead to the break-up of the euro and severe economic turbulence. The uncertainty created by these worries led to the falls in the equity market during the summer and early autumn.

Uncertainty dominated the analysis of markets, which was frustrating for the observers of individual stocks. Companies' operating performances have generally been better-than-expected. Corporate debt has been dramatically reduced by substantial cash generation flowing from improved profitability and strict cost control. Good dividend growth has been achieved and historically high levels of dividend cover are being recorded. The reaction to the banking crisis of 2008 has been determined action by managements in many areas to reduce costs and take tough

decisions needed to grow operating margins (a measure of how well a company controls its costs). The macroeconomic concerns however, have meant that so far this has not led to improved valuations for equities.

Portfolio Activity

The portfolio is a mix of large, medium and small companies with emphasis on stocks that have strong and growing cash generation, which will fund good dividend growth. This mix allows for real diversification in the underlying activities of the companies held.

The bias towards capital goods companies was maintained over the period. This area is seen as being a beneficiary of the growing global economy and companies held in the portfolio should thrive if they are producing excellent products. Aerospace businesses such as Rolls Royce and Senior are examples of companies achieving this objective; the sales and profit performance they are recording does not appear to reflect recessionary conditions. Consumer-related stocks were reduced as weak wage growth makes this a more difficult area. With this in mind we sold the holding in Vodafone.

The overall shape of the portfolio has not altered. There is very limited exposure to banks as their earnings outlook remains murky. We know they are attempting fundamental change but we do not know the return of capital that their new business models will achieve. The portfolio's financial exposure mainly comes through life assurance companies as well as general non-life insurers that have shown their strength over the last year (they have dealt with the high level of natural disasters and yet have held or increased their dividend payments). We expect these companies to benefit from improving premium levels.

Outlook

There is a tension between those investors who believe that the global economy is in a fragile state and therefore advocate a very cautious investment

approach, and those who believe that the worries are overstated – we are of the latter belief. Companies are generally in good health but this is not leading to any complacency from managements. The global economy overall is likely to show some growth. The mix of these factors may lead to substantial corporate cash generation and improving operating margins. This latter factor will surprise those commentators who opine

about the state of companies without ever examining them in any detail. The pleasant surprise of stronger earnings growth could result in an upward move in share prices in 2012. The biases in the portfolio, particularly the weighting in the manufacturing industry should stand the Fund in good stead.

James Henderson
24 January 2012

Discrete annual performance

	1 Jan 11- 31 Dec 11 %	1 Jan 10- 31 Dec 10 %	1 Jan 09- 31 Dec 09 %	1 Jan 08- 31 Dec 08 %	1 Jan 07- 31 Dec 07 %
Henderson UK Equity Income Fund	(4.8)	29.7	33.9	(44.6)	(0.9)
FTSE All-Share Index	(3.5)	14.5	30.1	(29.9)	5.3

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 31/12/11 p	Net asset value 30/06/11 p	Net asset value % change
Class A income	396.59	455.42	(12.92)
Class I income	427.54	490.53	(12.84)
Class I accumulation	660.90	734.14	(9.98)
Class Z income	127.00	144.76	(12.27)
Class P income	112.22	128.87	(12.92)
Class Z accumulation	102.23	n/a	n/a

Fund facts

Accounting dates

30 June, 31 December

Payment dates

31 August, 30 November, 29 February, 31 May

Total expense ratio

	31/12/11 %	30/06/11 %
Class A	1.75	1.75
Class I	0.82	0.82
Class Z	0.07	0.07
Class P	1.75	1.75

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	17.18	565.70	485.70
2008	19.54	504.70	238.70
2009	14.39	341.10	202.70
2010**	2.12	344.70	336.40
Class A income			
2007	17.49	582.00	501.00
2008	20.17	520.90	247.40
2009	15.74	352.40	209.50
2010	13.62	434.30	333.20
2011	15.05	468.80+	363.10+
2012	2.39*	-	-
Class I income			
2007	18.25	604.00	521.40
2008	21.01	542.60	259.20
2009	16.09	373.60	220.70
2010	15.01	464.80	354.20
2011	17.03	503.60+	390.80+
2012	2.77*	-	-
Class I accumulation			
2007	22.88	756.20	667.70
2008	27.39	698.90	349.30
2009	22.11	531.90	301.30
2010	21.68	688.00	507.50
2011	25.52	764.90+	600.10+
2012	4.26*	-	-
Class Z income			
2007	5.10	172.50	149.90
2008	5.91	156.20	75.10
2009	4.60	109.10	64.20
2010	4.39	137.00	103.70
2011	5.00	149.10+	115.90+
2012	0.81*	-	-

Performance record (continued)

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class P income			
2007	4.96	164.50	142.00
2008	5.72	147.70	70.12
2009	4.35	99.71	59.19
2010	3.86	122.90	94.29
2011	4.26	132.70+	102.70+
2012	0.68*	-	-
Class Z accumulation			
2011***	0.11	105.90+	92.66+
2012	-.*	-	-

* to 29 February

+ to 31 December

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

*** Z share class launched 16 September 2011

Net revenue distribution

Share class	31/12/11 p	31/12/10 p
Class A income	6.37	5.77
Class I income	7.34	6.52
Class I accumulation	11.19	9.59
Class Z income	2.14	1.93
Class P income	1.80	1.63
Class Z accumulation	0.11	n/a

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

Past performance is not a guide to future performance.

Major holdings

as at 31/12/11	%
Senior	6.48
GlaxoSmithKline	3.21
Hiscox	2.61
GKN	2.44
BP	2.40
Interserve	2.26
Phoenix Group	2.23
Amlin	2.23
Weir	2.11
Smith (DS)	1.95

Major holdings

as at 30/06/11	%
Senior	6.20
Royal Dutch Shell 'B'	4.03
BP	3.22
GKN	2.43
Hiscox	2.30
GlaxoSmithKline	2.29
Croda	2.06
Herald Investment Trust	1.98
National Grid	1.98
Hill & Smith	1.95

Asset allocation

as at 31/12/11	%
Industrials	38.28
Financials	24.27
Consumer services	8.84
Consumer goods	7.06
Basic materials	6.97
Oil & gas	4.24
Technology	3.37
Health care	3.21
Utilities	0.90
Real estate	0.76
Construction and building	0.74
Unit trusts	0.67
Telecommunications	0.37
Transportation	0.29
Net other assets	0.03
Total	100.00

Asset allocation

as at 30/06/11	%
Industrials	33.30
Financials	24.31
Consumer services	9.36
Consumer goods	8.32
Oil & gas	7.29
Basic materials	5.65
Utilities	3.33
Technology	2.75
Health care	2.29
Real estate	1.17
Telecommunications	1.11
Construction and building	0.58
Fixed interest	0.49
Net other assets	0.05
Total	100.00

Report and accounts

This document is a short report of the Henderson UK Equity Income 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,
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Member of the IMA and authorised and regulated by the Financial Services Authority.
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Risk warning

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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

Customer Services 0800 832 832
www.henderson.com

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201 Bishopsgate, London EC2M 3AE

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 UK Equity Income 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.