

Henderson Institutional

Overseas Bond

Fund

Short Report

For the six months ended 30 April 2013

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Fund Managers

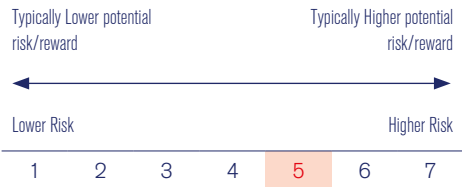
Kevin Adams and Joanna Murdock

Investment objective and policy

To aim to provide a return by investing in fixed and floating rate securities in any area of the world, except the United Kingdom. The Fund will invest primarily in bonds issued by Governments, public authorities and international organisations.

Synthetic risk and reward profile

The Fund currently has 6 types of shares in issue; Class A Income, Class I Income, Class I accumulation and Class 3 gross accumulation, Class I gross accumulation and Class Z gross accumulation. Each type of share has the same risk and reward profile which is as follows:



The value of an investment in the Fund can go up and down. When you sell your shares, they may be worth less than you paid for them.

The lowest category does not mean risk free.

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.

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.

Managers' commentary

The 6-month period to 30 April 2013 was characterised by volatile bond markets, driven by political events and central bank policy in the main. Core government bond yields ended the period close to unchanged, whilst peripheral European government bond markets and other 'riskier' asset classes such as equities experienced large gains as central banks maintained an easing bias.

In the US, politicians reached a compromise to avoid 'the fiscal cliff', a series of tax rises and spending cuts that could have had a significant detrimental impact to US growth. This compromise combined with an increase in the size of the Federal Reserve's bond purchase programme resulted in riskier assets performing well whilst bond yields remained well-supported. The European Central Bank (ECB)'s commitment to "do whatever it takes" to preserve the euro, coupled with politicians softening their stance towards fiscal austerity contributed to the strong performance of government bonds from Europe's periphery. Even political instability stemming from the inconclusive results of the Italian elections early in 2013 and the controversial bailout of the Cypriot banking system was unable to shake the overall trend of declining peripheral government bond yields (rising prices) over the course of the review period.

Finally in Japan, a new government in conjunction with central bank support pledged to break the low growth and deflationary environment that has

characterised the Japanese economy for the past two decades. Fiscal stimulus measures as well as a dramatic quantitative easing campaign resulted in government bond yields falling alongside a rapidly depreciating exchange rate and a large rise in the value of the equity market.

In Europe, we began the period positioned for Italian government debt to outperform Spanish government debt and for steeper yield curves¹ across core and semi-core² government bond markets. We also positioned for German government debt to fall in value; however, broader macroeconomic concerns resulted in all core government bonds performing well and we subsequently closed the position for a loss. As the period progressed we reduced our position in Italian government debt to neutral as political instability increased with the early resignation of the technocrat prime minister. We also established a position in three-year Spanish debt positioning for a steeper Spanish yield curve taking our overall risk to the European periphery to neutral. Later in the period we positioned for Spanish government debt to outperform Italian government debt as the Italian elections drew nearer, before later positioning for Italy to outperform Spain as the concerns around Italian political risks abated and Spain's weaker growth outlook became apparent. This strategy made a small profit overall. Late in the period we also positioned for Italian government bonds to outperform French government bonds as the ECB continued to provide a back-stop to financial markets.

Outside European markets we positioned for a steeper yield curve in the US, which we subsequently closed for a profit. We later positioned for US Treasury bond yields to increase relative to Swedish government bond yields; this has proved profitable and we maintain the position as we expect US government bonds to underperform European government debt. Late in the period we positioned for a flatter yield curve in the US as economic data was weaker than expected. However, this

proved unprofitable as central banks reiterated their commitment to accommodative policy and we closed the position. Throughout the period we opportunistically positioned for yields to rise in Japan and the US and for yields to fall in Australia, these strategies proved unprofitable, however, and we closed the positions for a loss. In Japan, we began the period positioned for a steeper yield curve; this performed well and we closed the position for a profit.

In currency strategy we positioned for the Australian dollar to underperform Mexican pesos and Canadian dollars during the period. This strategy as a whole made a small profit, with the Australian dollar depreciating versus the peso, but appreciating against the Canadian dollar.

We think that central banks are likely to maintain accommodative monetary policy for the foreseeable future, supporting bond markets. We continue to believe that economic growth in the US is likely to continue to improve, whilst growth in the euro area appears likely to remain depressed. The success of the Japanese central bank's quantitative easing policy – and its on-going impact on currency markets and securities markets more generally – is a source of uncertainty going forward.

¹ Steeper yield curves indicate long-term bond prices will fall relative to short-term bond prices.

² In this commentary when we refer to semi-core government bond markets in Europe we mean the bond markets of France and Belgium, core markets refer to Germany and Netherlands. The differentiation is primarily due to market perception of fundamental economic strength.

Discrete annual performance

	01 May 12 - 30 Apr 13 %	01 May 11 - 30 Apr 12 %	01 May 10 - 30 Apr 11 %	01 May 09 - 30 Apr 10 %	01 May 08 - 30 Apr 09 %
Henderson Institutional Overseas Bond Fund	2.3	4.3	0.1	4.0	27.9
JP Morgan Global Bond Traded ex UK Index	2.8	6.5	1.9	2.7	36.1

Source : Morningstar - mid to mid, net income 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 as a result of market and currency fluctuations and you may not get back the amount originally invested.

Fund facts

Accounting dates

30 April, 31 October

Payment dates

31 March, 30 June, 30 September, 31 December

Ongoing charge figure

	30/04/13 %	31/10/12 %
Class A	1.20	1.20
Class I	0.55	0.55
Class Z	0.05	0.05
Class 3 gross accumulation	0.23	0.23

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.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class X income			
2008	1.90	179.50	123.00
2009	2.13	183.70	147.90
2010 #	-	163.30	160.40
Class A income			
2008	2.39	178.70	122.50
2009	2.76	183.00	147.20
2010	1.81	177.50	159.70
2011	1.37	183.20	162.30
2012	0.73	181.50	170.20
2013	0.35*	178.50+	169.10+
Class I income			
2008	2.85	178.80	122.80
2009	3.39	183.10	147.40
2010	2.63	177.70	159.90
2011	2.10	183.50	162.50
2012	1.65	181.80	170.60
2013	0.77*	178.70+	169.50+

Performance record (continued)

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class I accumulation			
2008	3.43	218.20	146.60
2009	4.16	223.40	182.00
2010	3.29	224.10	199.20
2011	2.66	234.50	206.40
2012	2.12	234.00	219.10
2013	1.00*	231.80+	219.10+
Class 3 gross accumulation			
2012†	0.02	101.00	97.40
2013	0.72*	102.40+	96.68+
Class I gross accumulation			
2008	4.46	224.90	149.90
2009	5.37	230.30	187.70
2010	4.31	233.00	206.30
2011	3.74	244.40	214.60
2012	2.76	244.30	228.70
2013	1.32*	242.60+	229.10+
Class Z gross accumulation			
2008	3.88	166.70	110.60
2009	4.76	170.80	139.50
2010	4.04	174.20	153.60
2011	3.65	183.60	160.70
2012	2.97	184.20	172.50
2013	1.44*	183.50+	173.20+

* to 28 June

+ to 30 April

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

† Class 3 gross accumulation launched 26 August 2012.

Past performance is not a guide to future performance.

Summary of Fund performance

Share class	Net asset value* 30/04/13 p	Net asset value* 31/10/12 p	Net asset value % change
Class A income	172.95	174.06	(0.64)
Class I income	173.10	174.23	(0.65)
Class I accumulation	224.51	224.80	(0.13)
Class 3 gross accumulation	99.40	99.30	0.10
Class I gross accumulation	235.31	235.46	(0.06)
Class Z gross accumulation	178.18	177.85	0.19

*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.

Net revenue distribution

Share class	30/04/13 p	30/04/12 p
Class A income	0.35	0.36
Class I income	0.77	0.81
Class I accumulation	1.00	1.05
Class 3 gross accumulation	0.72	0.00†
Class I gross accumulation	1.32	1.36
Class Z gross accumulation	1.44	1.47

Total interest distributions for the period ended 30 April 2013, comparison is for the same period last year.

†Class 3 gross accumulation launched 26 August 2012.

Major holdings

as at 30/04/13	%
US Treasury 0.375% 15/06/2015	6.98
Italy (Rep of) 5% 01/03/2022	5.64
Sweden 3.75% 12/08/2017	5.58
US Treasury 2.125% 15/08/2021	5.20
US Treasury 0.25% 30/11/2014	4.80
US Treasury 4.625% 15/11/2016	4.79
Japan (Government of) 0.1% 20/12/2017	4.76
Japan (Government of) 2.1% 20/12/2030	4.38
Japan (Government of) 1.1% 20/06/2021	4.12
Japan (Government of) 0.3% 20/03/2017	3.97

Major holdings

as at 31/10/12	%
US Treasury 4.5% 15/05/2017	13.27
Japan (Government of) 0.3% 20/03/2017	8.77
US Treasury 2.25% 31/05/2014	6.57
US Treasury 4% 15/02/2015	6.51
Italy (Rep of) 4.75% 01/05/2017	6.33
US Treasury 2.125% 15/08/2021	5.24
Japan (Government of) 0.9% 20/06/2022	4.61
Japan (Government of) 2.1% 20/12/2030	4.39
Japan (Government of) 1.1% 20/06/2021	4.17
France (Government of) 4.25% 25/10/2023	3.45

Asset allocation

as at 30/04/13	%
United States	33.81
Japan	26.20
Europe	23.80
Sweden	5.58
Canada	1.56
Denmark	0.73
Australia	0.72
Net other assets	7.60
Total	100.00

Asset allocation

as at 31/10/12	%
United States	38.99
Japan	29.90
Europe	22.25
Canada	1.91
Sweden	1.67
Australia	0.48
Net other assets	4.80
Total	100.00

Report and accounts

This document is a short report of the Henderson Institutional Overseas Bond Fund for the six months ended 30 April 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.

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.

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

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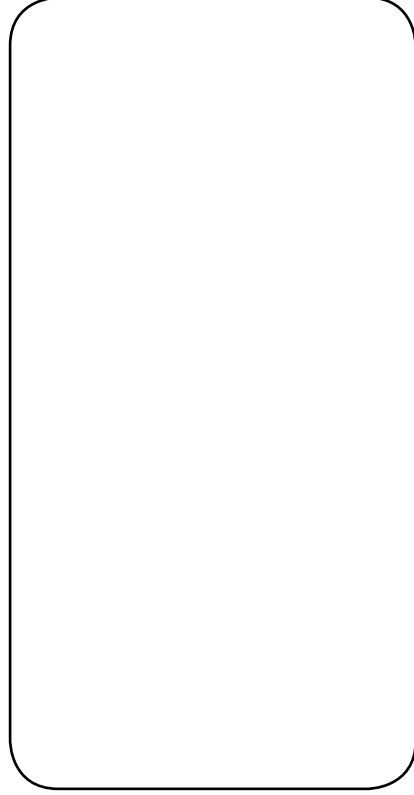
Depository

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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 30 April 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 Institutional Overseas 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), 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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