

Henderson

Credit Alpha

Fund

Short Report

For the six months ended 30 April 2013

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Fund Managers

Stephen Thariyan, Thomas Ross & Chris Bullock

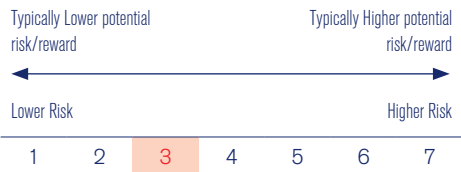
Investment objective and policy

The Fund aims to generate positive returns by taking directional, relative value, structural and tactical positions in corporate bonds, asset backed securities, preference shares, equities, secured loans and credit default swaps, as well as other permitted derivative instruments.

The Fund may also invest the property in transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

Synthetic risk and reward profile

The Fund currently has 11 types of share class in issue, they are all accumulation share classes; A, A Euro hedged, A USD hedged, I, I gross, Y, Y gross, Y Euro hedged, Y USD hedged, Z and Z gross. 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 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:

- As a category, bonds are less volatile than shares
- The Fund invests in a broad range of securities and countries and uses a broad range of strategies.
- 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.

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 Warnings" section of the Fund's prospectus.

Managers' commentaries

Credit markets began the period on a positive note, buoyed by the considerable central bank stimulus programmes, the European Central Bank's provisional backstop for European governments, improving investor sentiment and strong demand

for corporate bonds in an environment of low government bond yields. Sentiment was further enhanced by positive news flow from the US where we saw a definitive result from the November presidential elections, and events in Japan, where incoming Prime Minister, Shinzo Abe, committed to ending Japan's deflationary environment.

As we moved into 2013, a number of events threatened to derail the rally including fiscal cliff negotiations and the subsequent automatic spending cuts in the US, inconclusive Italian elections, and losses forced on bank senior bondholders (and larger savers) in Cyprus. These along with deteriorating macroeconomic data (especially in Europe) and mixed corporate earnings, did cause a small pick-up in volatility, however, credit markets continued to see broadly positive returns, reflecting the ongoing demand for yield and historically low default rates. The strongest performance came from lower rated corporate bonds, along with the financial sector. The period was also notable for higher than average levels of issuance, particularly in high yield, and an increase in debt funded mergers and acquisitions (M&A) activity.

Fund performance and activity

The Fund has performed well over the last six months returning 2.7% net of fees (based on the GBP 'A' share class), compared to the cash benchmark (3-month GBP Libor), which returned 0.3%. All three investment strategies made a positive contribution to performance, with the thematic strategy the strongest performer.

In terms of overall exposure, we have maintained a small long bias towards credit markets, gradually reducing this as overall valuations have become less compelling. We took profits on some of our physical bond holdings as we feel valuations are starting to look expensive, preferring to express our views using credit derivatives.

In the thematic strategy, positions in financial sector bonds were key contributors. Holdings in subordinated bank and insurance bonds, including tier 1 positions in Barclays, Lloyds and RBS, as well as a lower tier 2 position in Lloyds and insurer Royal London performed strongly. Bank bonds continue to benefit from shrinking supply, improving capital ratios and banks redeeming bonds early.

In non-financials, holdings in utilities such as GDF and SSE, transport operator FirstGroup, and telecoms issuers, including European cable operators ONO and Unity Media added to returns. The broad strength in corporate bond markets led to the Fund's short positions dragging on returns in aggregate.

The pair trade strategy made a small positive contribution, though the hunt for yield and strong positive momentum in credit markets has, to an extent, dampened the price dispersion between different issuers. Top performers included a positive view on Fiat versus a short to Peugeot, as Fiat looked to increase their stake in Chrysler, while Peugeot saw rating downgrades following weaker results. Additionally, a short position in Portuguese toll road operator Brisa underperformed the high yield (iTraxx Crossover) index.

The pick-up in activity in credit markets provided a number of opportunities for the shorter term tactical strategy. Contributors to return included new issues from the UK based broadcast infrastructure company Arqiva, Israeli telecoms company Altice, and positions in the auto sector.

Performance summary

	1 May 12- 30 Apr 13 %	1 May 11- 30 Apr 12 %	1 May 10- 30 Apr 11 %	1 May 09- 30 Apr 10 %	1 May 08- 30 Apr 09 %
Henderson Credit Alpha Fund*	7.4	2.4	5.1	34.7	0.0
3M Libor	0.8	0.4	0.7	0.9	4.8

Source: Henderson Global Investors & Russell/Mellon CAPS.

* Fund returns calculated using close of business prices on a gross asset value basis in GBP.

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* 30/04/2013 p	Net asset value* 31/10/2012 p	Net asset value % change
Class Y accumulation	111.29	108.14	2.91
Class A accumulation	55.05	53.61	2.69
Class I accumulation	148.36	143.43	3.44
Class Z accumulation	107.55	103.54	3.87
Class Y gross accumulation	107.17	104.12	2.93
Class I gross accumulation	150.48	145.20	3.64
Class Z gross accumulation	159.87	153.49	4.16
Class A Euro hedged accumulation	451.53	418.60	7.87
Class Y Euro hedged accumulation	913.96	845.06	8.15
Class A USD hedged accumulation	343.12	323.06	6.21
Class Y USD hedged accumulation	677.51	637.21	6.32

*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 April, 31 October

Payment dates

30 June, 31 December

Ongoing charge figure	OCF*	Performance fees	OCF*	Performance fees
	30/04/2013	30/04/2013	31/10/2012	31/10/2012
	%	%	%	%
Class Y	1.08	1.21	1.07	0.45
Class A	1.70	1.17	1.69	0.27
Class I	1.08	n/a	1.07	n/a
Class Z	0.05	n/a	0.04	n/a
Class Y gross	1.08	1.37	1.07	0.51
Class A Euro hedged	1.70	0.98	1.69	0.21
Class A USD hedged	1.70	1.14	1.69	0.19
Class Y Euro hedged	1.08	1.28	1.07	0.49
Class Y USD hedged	1.08	0.89	1.07	0.65

The 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.

*OCF excludes performance fees.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class Y accumulation			
2010 **	0.34	104.10	99.77
2011	1.18	106.70	102.60
2012	0.65	109.70	102.80
2013	0.28*	111.50 +	109.80+
Class A accumulation			
2010 **	0.24	52.05	49.96
2011	0.36	53.20	51.01
2012	0.12	54.36	51.13
2013	0.02*	55.15+	54.40+
Class I accumulation			
2009	-	125.70	100.00
2010	1.91	137.60	125.50
2011	2.08	141.00	135.60
2012	1.32	145.90	136.00
2013	1.10*	148.60+	146.00+
Class Z accumulation			
2011 *****	1.20	100.60	97.02
2012	1.78	105.46	97.46
2013	1.23*	107.74+	105.55+
Class Y gross accumulation			
2011****	1.43	102.50	98.71
2012	0.67	105.70	99.01
2013	0.21*	107.40+	105.70+
Class I gross accumulation			
2008	5.58	105.40	97.90
2009	2.91	125.70	97.40
2010	2.47	138.50	125.40
2011	2.62	142.20	136.90
2012	1.66	147.80	137.40
2013	1.40*	150.70+	147.90+

Performance record

	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class Z gross accumulation			
2008	6.67	106.50	99.50
2009	4.05	128.90	99.30
2010	3.93	143.40	128.70
2011	4.22	148.10	142.50
2012	3.28	156.52	143.97
2013	2.28*	160.13+	156.66+
	Net revenue (Euro cents per share)	Highest price (Euro cents per share)	Lowest price (Euro cents per share)
Class A Euro hedged accumulation			
2010 ***	2.58	507.93	486.69
2011	4.15	517.64	497.44
2012	1.38	527.15	498.10
2013	0.22*	534.01+	527.46+
Class Y Euro hedged accumulation			
2010 ***	8.60	1,015.97	971.08
2011	14.61	1,037.40	1,000.15
2012	7.31	1,065.36	1,002.09
2013	3.04*	1,080.93+	1,066.03+
	Net revenue (USD cents per share)	Highest price (USD cents per share)	Lowest price (USD cents per share)
Class A USD hedged accumulation			
2010 ***	2.58	509.30	487.46
2011	4.14	518.29	495.92
2012	1.69	527.63	497.02
2013	0.26*	535.00+	527.96+
Class Y USD hedged accumulation			
2012 *****	-	1,042.00	1,002.04
2013	1.45*	1,056.00+	1,042.00+

* to 28 June

+ to 30 April

** Classes Y accumulation and A accumulation were launched 1 March 2010

*** Classes A Euro hedged, A USD hedged and Y Euro hedged were launched on 16 April 2010

**** Class Y gross accumulation was launched 19 November 2010

***** Class Z accumulation was launched 15 April 2011

***** Class Y USD hedged was launched 12 June 2012

Past performance is not a guide to future performance.

Net revenue distribution

Share class	30/04/13 p	30/04/12 p
Class Y accumulation	0.28	0.46
Class A accumulation	0.02	0.10
Class I accumulation	1.10	0.61
Class Z accumulation	1.23	0.85
Class Y gross accumulation	0.21	0.55
Class I gross accumulation	1.40	0.77
Class Z gross accumulation	2.28	1.55
	30/04/13 Euro cents	30/04/12 Euro cents
Class A Euro hedged accumulation	0.22	1.10
Class Y Euro hedged accumulation	3.04	5.64
	30/04/13 USD cents	30/04/12 USD cents
Class A USD hedged accumulation	0.26	1.24
Class Y USD hedged accumulation +	1.45	-

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

+ Class Y USD hedged launched 12 June 2012.

Major holdings

as at 30/04/13	%
Deutsche Global Liquidity Platinum Managed	5.69
UK Treasury 0% 19/08/2013	4.30
UK Treasury 0% 27/08/2013	2.70
Henderson Institutional Cash Fund 'Z' Gross Acc *	2.41
HSBC Bank 0.46% 12/04/2013 - 12/07/2013	2.03
JP Morgan Chase Bank 0.45% 24/04/2013 - 24/07/2013	2.03
GELF 3.125% 03/04/2018	1.93
GDF Suez 5.95% 16/03/2111	1.91
Bank of Scotland 4.5% 18/03/2030	1.52
Portugal Telecom 4.625% 08/05/2020	1.49

* A related party to the Fund

Major holdings

as at 31/10/12	%
UK Treasury 4.5% 07/03/2013	9.55
UK Treasury 0% 19/11/2012	4.71
Henderson Institutional Cash Fund Z Gross Acc *	3.34
Deutsche Global Liquidity Managed Platinum	3.20
Gas Natural 6% 27/01/2020	2.90
Global Switch 5.5% 18/04/2018	2.21
Co-Operative Bank 5.625% 08/07/2020	2.20
GDF Suez 5.95% 16/03/2111	2.07
First Group 8.75% 08/04/2021	1.79
Banco Espirito Santo 5.875% 17/04/2018	1.69

Asset allocation	
as at 30/04/13	%
Eurobonds	45.46
Certificates of deposit	30.37
Collective investment schemes	8.10
Government bonds	7.00
Derivatives	(0.66)
Net other assets	9.73
Total	100.00

Asset allocation	
as at 31/10/12	%
Eurobonds	76.25
Government bonds	14.26
Collective investment schemes	6.54
Certificates of deposit	2.82
Derivatives	(0.13)
Net other assets	0.26
Total	100.00

Report and accounts

This document is a short report of the Henderson Credit Alpha 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.

Issued by:

Henderson Investment Funds Limited

Registered office:

201 Bishopsgate,
London EC2M 3AE

Member of the IMA and authorised and regulated by the Financial Conduct Authority.

Registered in England No 2678531

Depository

National Westminster Bank Plc

135 Bishopsgate

London EC2M 3UR

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.

Auditor

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Contact us

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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 Credit Alpha 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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