Henderson
GLOBAL INVESTORS

Henderson

Investment Funds Series II

Interim Report & Accounts
For the six months ended 31 January 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 £65.6† billion assets under management (as at 31 December 2012) and employs around 1,000 people worldwide.

In Europe, Henderson has offices in Amsterdam, Dublin, Edinburgh, Frankfurt, Luxembourg, Madrid, Milan, Paris, Vienna, Zurich and London. Henderson has had a presence in North America since 1999, when it acquired US real estate investment manager Phoenix Realty Advisers, and has offices in Chicago and Hartford. In Asia, Henderson has offices in New Delhi, Singapore (Asia headquarters), Hong Kong, Tokyo and Beijing as well as Sydney. Henderson Group plc acquired New Star Asset Management Group PLC in April 2009 and Gartmore Group Limited in April 2011.

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.

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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Authorised Corporate Director's (ACD) report

We are pleased to present the Interim Report and Accounts for Henderson Investment Funds Series II for the six months ended 31 January 2013.

Authorised status

Henderson Investment Funds Series II (the Company) is an open ended investment company (OEIC) with variable capital authorised, under regulation 12 (Authorisation) of the OEIC regulations, by the Financial Services Authority on 30 August 2002. It is an umbrella company, comprising various sub-funds. The investment objective for each sub-fund and the policy for achieving that objective is given in the 'Investment Objective' section of each sub-fund's report. The investment activities of each sub-fund are given in the 'Activity' section of each sub-fund's report. The portfolio of investments of each sub-fund are given in the 'Portfolio Statement' of each sub-fund's report. The Synthetic Risk and Reward Indicator for each sub-fund is given in the 'Synthetic Risk and Reward' section of each sub-fund's report. Shareholders are not liable for the debts of the Company.

Other information

On 12 August 2011 Gartmore High Yield Corporate Bond Fund merged into the Henderson Extra Monthly Income Bond Unit Trust. The Gartmore High Yield Corporate Bond Fund is in the process of termination and is no longer available for investment.

Fund liabilities

As a sub-fund is not a legal entity, if the assets attributable to any sub-fund were insufficient to meet the liabilities attributable to that Fund, the shortfall might have to be met out of the assets attributable to one or more other sub-funds of the Company.

Advisers

	Name	Address	Regulator
Authorised Corporate Director	**Henderson Investment Funds Limited** Member of IMA The ultimate controlling party 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 Services Authority.
Investment Manager	**Henderson Global Investors Limited** The ultimate controlling party is Henderson Group plc.	201 Bishopsgate, London EC2M 3AE	Authorised and regulated by the Financial Services Authority.
Registrar	**International Financial Data Services (UK) Limited**	IFDS House St Nicholas Lane Basildon, Essex SS15 5FS	Authorised and regulated by the Financial Services Authority.
Depositary	**HSBC Bank plc**	8 Canada Square, Canary Wharf, London E14 5HQ	Authorised and regulated by the Financial Services Authority.
Independent Auditors	**PricewaterhouseCoopers LLP**	141 Bothwell Street, Glasgow G2 7EQ	Institute of Chartered Accountants in England and Wales.
Legal Adviser	**Eversheds LLP**	One Wood Street, London EC2V 7WS	The Law Society.

Market review for the six months ended 31January 2013

Overview

Risk assets remained volatile in the six months to 31 January 2013. In Europe, Spain and Italy continued to struggle with high levels of government and private debt against the backdrop of a weak global recovery. In order to stabilise the financial markets and support their ailing economies, central banks took decisive actions, with the UK, Japan, and the US engaging in further quantitative easing (QE) by increasing money supply to stimulate economic activity. It was arguably the European Central Bank's (ECB's) outright monetary transactions (OMTs) programme announced in September that pleased markets the most, as it was perceived to remove much of the larger risks associated with the eurozone. At a country's request, the ECB would help cut the borrowing costs of eurozone members by buying their government bonds. Investor sentiment towards the end of 2012 was dominated by anxieties over the US 'fiscal cliff' (US$600 billion of automatic tax increases and spending cuts effective on 1 January 2013) and the 'debt ceiling' (the maximum amount of outstanding federal debt the government can legally incur). The final month of the period was a stronger month for risk assets given generally improving economic data and more encouraging political news flow; the US managed to avert the 'fiscal cliff', reducing the likelihood of a US recession, and an extension to the decision on raising the US debt ceiling was announced. The MSCI World Total Return Index rose 12.4% in sterling (+13.8% in US dollars) over the period.

Equities

Although the year began well for global equity markets, however, the situation in Europe soon deteriorated as investors became worried about Spain's fiscal position. A change in sentiment occurred in late July when ECB President Mario Draghi unexpectedly announced that the euro and eurozone would be defended at all costs. While Europe generally advanced over the review period, by comparison, the US S&P 500 index stood at 1,408 at the end of March and did not make any strong advances through to year-end. This contrast was driven mainly by the positive effects of the ECB's policy actions, whereas in the US, uncertainty due to the US presidential election, the effects of Hurricane Sandy on the economy and more notably the US 'fiscal cliff' issues remained unresolved at year-end. During the year Chinese economic growth continued to moderate and the political environment remained uncertain ahead of the once-in-a-decade transition of power to a new generation of leaders. More clarity on the political front was provided when the new Standing Committee of the Politburo was officially unveiled. China's economy expanded by 7.9% in 2012, indicating more stable growth rather than the unsustainable double-digit growth rates of previous years. As China is losing some of its competitiveness due to rapid wage growth and skills shortages, the authorities are making efforts to lessen the economy's heavy reliance on exports and refocus on local consumption instead. In Japan, a strong yen, weak domestic growth, and disputes with China over the sovereignty of a group of islands in the East China Sea all weighed on the market. December's general election resulted in a landslide win for the Liberal Democratic Party-led coalition under former prime minister Shinzo Abe. In late January, the Bank of Japan adopted a 2% inflation target and introduced an 'open-ended' asset purchase plan in an attempt to fight deflation, which led to a fall in the yen and a rally in the Nikkei.

In the UK, the coalition government was faced with the task of dealing with below-target UK growth and above-target deficits, with households beginning to feel the strain under the government's austerity measures against a backdrop of rising prices. Although the annual rate of inflation had dropped to 2.2% according to the office for National Statistics (ONS) by September, it jumped to 2.7% in October and stayed at the same rate until the end of the review period, defying the Bank of England's (BoE's) 2% target. Although gross domestic product (GDP) data confirmed the British economy had grown 0.9% for the third quarter (quarter-on-quarter), bringing it out of recession, the economy contracted in the final quarter of the year, according to preliminary estimates giving rise to fears of a 'triple dip' recession. On a brighter note, the UK manufacturing sector (Markit/CIPS PMI) continued to expand, having reached a 15-month high in December. UK equities made steady monthly gains of between 1 to 2% over the six-month period, with a strong rally in January. The FTSE All-Share Total Return Index rose 14.1% over the period.

Market review (continued)

Bonds

In the bond markets, fears for a possible fragmentation of the euro area and global growth concerns saw investors seeking 'safe havens' for their money. This led to falling yields (rising prices) in the 'core' government bond markets of countries such as the UK, the US and Germany. At the same time, the yields on some peripheral European countries' government bonds rose to dangerous levels (close to 7% and above), where borrowing in the market becomes increasingly difficult and unaffordable. Since September, however, positivity about the ECB's OMTs programme helped bring these yields back to more manageable levels.

The strong start for risk assets including equities at the beginning of 2013 was mirrored in the corporate bond markets, specifically in the more credit sensitive sectors such as high yield and subordinated financial bonds. However, half way through the month the tide turned for the credit sector as a combination of increased supply in the new issue market, profit taking, crowded sector positioning among investors and mixed economic data led to weakness in the asset class and most of the gains were reversed at the end of January. Meanwhile, towards the end of the period, core government bond yields rose as the demand for safe haven assets waned. US 10-year treasury yields touched 2%, a level not reached in the last nine months, while Spanish 10-year government bond yields fell below the 5% level for the first time since March 2012, signalling growing confidence among investors in the euro area.

Outlook

In the UK, while the economy is taking longer to recover compared to other countries there are indications that a more gentle recovery is underway: employment remains resilient while the manufacturing sector is growing. Worries of a hard landing in China have receded as recent economic indicators have shown improvement and there are plans by the Chinese authorities to move the economy away from heavy reliance on exports and instead, refocus on domestic consumption. In Europe, the removal of extreme risks from the eurozone suggests we could see growth in the region resume later in the year, while in the US, negotiations around the raising of the debt ceiling and planned spending cuts continue. Despite the challenging global economic and political backdrop, there is a greater degree of optimism compared to six months ago.

*All index returns are total returns in sterling, source Thomson Reuters Datastream, unless otherwise stated.

Aggregated statement of total return for the six months ended 31 January 2013 (unaudited)

	31/01/13		31/01/12	
	£000	£000	£000	£000
Income				
Net capital gains/(losses)		96,049		(47,993)
Revenue	22,485		21,080	
Expenses	(8,522)		(6,209)	
Finance costs: Interest	–		10	
Net revenue before taxation	13,963		14,881	
Taxation	(294)		(777)	
Net revenue after taxation		13,669		14,104
Total return before distributions		109,718		(33,889)
Finance costs: Distributions		(19,338)		(18,208)
Change in net assets/(liabilities) attributable to shareholders from investment activities		**90,380**		**(52,097)**

Aggregated statement of change in net assets attributable to shareholders

for the six months ended 31 January 2013 (unaudited)

	31/01/13		31/01/12	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		**1,112,315**		**1,518,401**
Amounts receivable on issue of shares	26,867		8,531	
Amounts transferred on termination of sub-funds	–		(620,568)	
Amounts payable on cancellation of shares	(43,508)		(54,231)	
		(16,641)		(666,268)
Stamp duty reserve tax		(208)		(86)
Change in net assets/(liabilities) attributable to shareholders from investment activities (see above)		90,380		(52,097)
Retained distributions on accumulation shares		14,184		14,722
Unclaimed distributions over six years old		–		33
Closing net assets attributable to shareholders		**1,200,030**		**814,705**

Aggregated balance sheet as at 31 January 2013 (unaudited)

	31/01/13		31/07/12	
	£000	**£000**	**£000**	**£000**
Assets				
Investment assets		1,106,447		1,050,865
Debtors	30,467		24,475	
Cash and bank balances	80,647		42,839	
Total other assets		111,114		67,314
Total assets		1,217,561		1,118,179
Liabilities				
Investment liabilities		(1,705)		–
Creditors	(13,892)		(3,393)	
Distribution payable on income shares	(1,934)		(2,471)	
Total other liabilities		(15,826)		(5,864)
Total liabilities		(17,531)		(5,864)
Net assets attributable to shareholders		**1,200,030**		**1,112,315**

Certification of financial statements by Directors of the ACD

In accordance with the requirements of the Financial Services 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
(Director)

18 March 2013

Aggregated notes to the financial statements as at 31 January 2013

1 Accounting policies

(a) Basis of accounting

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 (SORP) issued by the Investment Management Association (IMA) in October 2010.

(b) Basis of valuation of investments

The valuation of the Company's listed investments, for the purposes of preparing this report, has been based at market value, excluding any accrued interest in the case of fixed interest and floating rate securities, at the close of business valuation point of the last day of the accounting period in accordance with the provisions of the Prospectus.

Market value is defined by the SORP as fair value which is generally the bid value of each stock.

Forward foreign exchange contracts are valued based on the movements between the contracted forward currency exchange rate and the closing market forward currency exchange rate at 31 January 2013.

Suspended, delisted and unquoted securities are shown at a valuation determined by the ACD based upon, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

(c) Recognition of revenue

Dividends receivable from quoted equity and non equity shares are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend. Dividends on unquoted stocks are credited to revenue when the dividend is announced.

Overseas dividends are grossed up at the appropriate rate of withholding tax and these consequences are shown within the tax charge.

Interest on debt securities has been accounted for on an effective yield basis. Effective yield is a calculation that reflects the amount of amortisation of any discount or premium on the purchase price over the remaining life of the security.

Bank interest, interest on margin and revenue earned on other securities is recognised on an accruals basis.

Underwriting commission is taken to revenue and recognised when the issue takes place, except where the Fund is required to take up all or some of the shares underwritten in which case an appropriate proportion of the commission is deducted from the cost of the relevant shares.

Income distributions from Real Estate Investment Trusts (UK REITs) will be split into two parts, a Property Income Distribution (PID) made up of rental revenue and a non-PID element, consisting of non-rental revenue. The PID element is subject to Corporation Tax, while the UK dividend will be treated as franked revenue.

If any revenue receivable at the balance sheet date is not considered recoverable, provision is made for the relevant amount.

(d) Treatment of stock dividends

The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Company. Any enhancement above the cash dividend is treated as capital and included in net capital gains/(losses).

(e) Treatment of special dividends

Special dividends are treated as capital or revenue depending on the nature and circumstances of the dividend receivable.

(f) Treatment of expenses (including ACD expenses)

All expenses (other than those relating to the purchase and sales of investments and stamp duty reserve tax arising on sales and repurchase of shares in the Fund) are charged against revenue on an accruals basis.

The ACD's annual management charge is calculated daily on the total net assets by Henderson Investment Funds Limited.

1 Accounting policies (continued)

(f) Treatment of expenses (including ACD expenses) (continued)

General Administration Charge

All fees with the exception of the ACD's annual management charge, Depositary and Safe Custody fees have been replaced by a single ad valorem charge, the General Administration Charge (GAC). The ACD believes that the GAC creates more efficiency and transparency around the charging process than more traditional methods.

For further details please refer to the Prospectus.

(g) Allocation of revenue and expenses to multiple share classes

With the exception of the ACD's annual management charge, and the GAC which are directly attributable to individual share classes, all revenue and expenses are allocated to share classes pro rata to the value of the net assets of the relevant share class on the day that the revenue or expense is incurred.

(h) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at close of business on the last business day of the accounting period.

Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions.

Exchange differences on such transactions follow the same treatment as the principal amounts.

(i) Taxation

Provision for corporation tax is based, as appropriate, on the excess of taxable revenue over allowable expenses.

Deferred tax is provided for at a rate which taxation is likely to become payable in respect of all timing differences that have originated but not reversed by the balance sheet date other than those differences regarded as permanent. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets are only recognised to the extent that they are regarded as recoverable. Deferred tax assets are not discounted to reflect the time value of money.

Stamp Duty Reserve Tax, if any, suffered on surrender of shares is deducted from capital.

(j) Aggregation

The aggregated accounts represent the sum of individual sub-funds within the umbrella company. Further analysis of the distribution and the net asset position can be found within the financial statement of the individual sub-funds.

(k) Treatment of derivatives

Forward currency contracts

Open forward currency contracts are shown in the Portfolio Statement at fair value and the net gains/(losses) are reflected in the net capital gains/(losses) on investments.

2 Distribution policy

The distribution policy of each Fund is to distribute/accumulate all available revenue, after deduction of expenses properly chargeable against revenue, subject to any of the ACD's periodic charge or other expense which may currently be transferred to capital.

The Cautious Managed Fund management expense is borne wholly by capital.

Gains and losses on investments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

Stock dividends are not taken into account when determining the amount available for distribution.

Revenue attributed to accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of revenue.

2 Distribution policy (continued)

For the purpose of calculating the distribution, income on debt securities is computed as the higher of the amount determined on an accrual of coupon basis and an effective yield basis.

If one share class is in profit and another share class in deficit, the share class in deficit will transfer a portion of its ACD fees to capital in order to allow the profit making share class to make a distribution.

For Cautious Managed Fund, the policy of the Company is to make dividend distributions on a quarterly basis for all share classes and a monthly basis for the M classes.

The ACD reserves the right not to make interim distributions from low yielding sub-funds.

Equalisation

Income equalisation currently applies to all Funds.

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

3 Risk

In pursuing its investment objective, each Fund holds a number of financial instruments. These financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from the Funds operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue. The Fund may also enter into derivative transactions. The purpose of these financial instruments is efficient portfolio management. The main risks arising from financial instruments are market, liquidity and credit risks.

(a) Market Risk

Market risk is the risk that the value of the Funds' investments or the benefits arising thereon will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk, and other price risk.

Foreign currency risk

Foreign currency risk is the risk that the value of the Fund's investments will fluctuate as a result of changes in foreign currency exchange rates.

For those Funds where a proportion of the net assets of the Funds are denominated in currencies other than sterling, the balance sheet can be affected by movements in exchange rates. The ACD may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies.

Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments and revenue may fluctuate as a result of interest rate changes. The revenue of the Funds may be affected by changes to interest rates relevant to particular securities or as a result of the Fund Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of debt securities may be affected by interest rate movements or the expectation of such movements in the future.

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the Fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior period.

Interest earned and paid on bank balances during the period was at a variable rate. The interest rates on sterling bank accounts at the end of the period were 0.10% on credit balances (31.07.12: 0.10%) and 1.50% on overdraft balances (31.07.12: 1.50%).

3 Risk (continued)

(a) Market Risk (continued)

Other price risk

Other price risk is the risk that the value of the Funds' investments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Other price risk arises mainly from uncertainty about future prices of financial instruments the Funds might hold. It represents the potential loss the Funds might suffer through holding market positions in the face of price movements. The Funds' investment portfolios are exposed to market price fluctuations, which are monitored by the ACD in pursuance of their investment objectives and policies as set out in the Prospectus.

(b) Liquidity risk

Liquidity risk is the risk that the Funds cannot raise sufficient cash to meet their liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised.

Under normal circumstances, the Funds will remain close to fully invested. However, where circumstances require: for example because of illiquid securities markets or high levels of redemptions in the Funds, the Funds may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of units.

The ACD manages the Funds' cash to ensure they can meet their liabilities. The ACD receives daily reports of subscriptions and redemptions enabling the ACD to raise cash from the Funds portfolio in order to meet redemption requests. Funds cash balances are monitored daily by the ACD and Administrator. Where investments cannot be realised in time to meet any potential liability, the Funds may borrow up to 10% of their value to ensure settlement. All of the Funds' financial liabilities are payable on demand or in less than one year.

(c) Credit and counterparty risk

Credit risk arises from three main sources. Firstly, the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Secondly, for asset backed investments there is the possibility of default of the issuer and default in the underlying assets meaning the Funds may not receive back the full principal originally invested. Thirdly, there is counterparty risk, which is the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Funds have fulfilled their responsibilities, which could result in the Funds suffering a loss.

In order to manage credit risk the Funds are subject to investment limits for issuers of securities. Issuer credit ratings are evaluated periodically and an approved issuer list is maintained and monitored. In addition the Funds only buy and sell investments through brokers which have been approved by the Manager as an acceptable counterparty and limits are set and monitored to cover the exposure to any individual broker. Changes in broker's financial ratings are periodically reviewed by the Henderson Credit Risk Committee along with set limits and new counterparty approval.

Only counterparties that have been approved by Henderson's Credit Risk Committee are used for derivatives transactions. The continuing credit worthiness of other counterparties is monitored on a daily basis.

The Funds adhere to investment guidelines and to investment and borrowing powers set out in the instrument of incorporation, the Prospectus and in the Financial Services Authorities Collective Investment Schemes Sourcebook. This mitigates the risk of excessive exposure to any particular type of security or issuer.

4 Portfolio transaction costs

	31/01/13 £000	31/01/12 £000
Purchases in period before transaction costs	115,061	97,015
Commissions	91	74
Taxes+	309	256
Total purchase transaction costs	400	330
Purchases including transaction costs*	**115,461**	**97,345**
Sales in period before transaction costs	157,912	682,352
Commissions	(113)	(34)
Total sale transaction costs*	(113)	(34)
Sales net of transaction costs	**157,799**	**682,318**
Transaction handling charges*	**2**	**5**

+ Prior year comparatives have been restated.
* These amounts have been deducted in determining net capital gains/(losses).

Henderson Cautious Managed Fund
Managers' report

Fund Managers

Chris Burvill, John Pattulo and Jenna Barnard

Investment objective and policy

To provide a combination of income and long-term capital growth. Investment will be in a diversified portfolio of equities, bonds and other related investments. At all times the investment in equities will be limited to a maximum of 60% of the value of the Fund's portfolio.

The Fund may also invest at the Manager's discretion in other transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in applicable FSA Rules).

Performance Summary

	1 Feb 12- 31 Jan 13 %	1 Feb 11- 31 Jan 12 %	1 Feb 10- 31 Jan 11 %	1 Feb 09- 31 Jan 10 %	1 Feb 08- 31 Jan 09 %
Henderson Cautious Managed Fund	13.9	2.3	7.8	16.8	(8.9)
Mixed Investment 20-60% Shares Sector Average	9.7	1.1	9.4	18.6	(14.5)

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer, net of fees, GBP. Figures in brackets are negative.

The Benchmark changed from IMA Cautious Managed Sector Average to Mixed Investment 20-60% Shares Sector Average as at 1 January 2012. The performance for the current and prior years shown reflects this change.

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.

Significant portfolio changes for the six months ended 31 January 2013

Purchases	**£000**
US Treasury 1.25% Index-Linked 15/04/2014	19,900
Treasury 4% 07/03/2022	14,883
Royal Dutch Shell 'B'	12,726
Network Rail 1.75% Index-Linked 22/11/2027	9,977
Kingfisher	6,445
SIG	4,672
Marks & Spencer	4,419
BG	4,244
Pearson	4,238
Pennon	3,447

Sales	**£000**
Treasury 3.75% 07/09/2021	14,083
Aviva	10,908
Royal Bank of Scotland	8,853
Treasury 4.5% 07/12/2042	7,623
Royal Bank of Scotland 6.875% 17/05/2025	7,256
Smiths	6,415
Treasury 3.75% 07/09/2020	5,734
Carnival (London listed)	5,594
Vodafone	4,831
British Sky Broadcasting	4,721

Managers' commentary

Longstanding bullish investors who have waited for improvements in economic conditions or political willpower started to see their patience rewarded over this period, with the FTSE 100 Index rising by 13.2% in total return terms. Not that underlying conditions either in Europe or the US were able to show much improvement, more that markets had been moving to discount further problems, particularly in peripheral Europe. As signs of stabilisation emerged so investors regained some of their confidence in equities, while the urgency to protect capital at all costs through holding gilts and other Triple A securities correspondingly started to ease.

Having taken a more positive stance in favour of equities throughout last year, the upward move in the market provided a helpful background for the Fund, as did our increased investment in higher yielding bonds. Over this six month period the Fund rose by 9.7% which ranked it in the 12th percentile within the Mixed Asset 20-60% Shares Sector. Given that the improvement in equities was predominantly driven by a relative valuation argument it was understandable that some of the best performances came from undervalued situations or those where strong and stable yields have looked increasingly attractive against fixed interest securities. Particularly noteworthy were the strong recovery in Halfords after a disastrous start to last Summer's trading, a strong performance from Reed Elsevier and a dramatic re-rating in Invensys after the sale of their rail operations to Siemens. Further benefits came from us not holding BATS and having only limited exposure to Shell, both of which were weak performers relative to the overall market.

The bond portfolio aims to counterbalance some of the volatility within the equity portfolio and is broadly defensive in nature. Holdings of Gilts and high grade corporates were therefore more subdued over the period. This was however offset by our small, but increased, higher yielding portfolio which provided both a continued high running yield together with further capital uplifts. Our holdings of bank and insurance debt produced some particularly strong advances.

Activity on the Fund has remained comparatively light. We have taken new holdings in Kingfisher and SIG Group, while adding to BG and Pearson after recent weakness. The poor performance of Royal Dutch Shell, mentioned above, has led us to reverse our previously negative stance. With a yield approaching 5% and a strong balance sheet we can now see some upside for the shares. Most of our sales have involved taking profits after strong runs as in the cases of Vodafone, WH Smith and Royal Bank of Scotland. One less successful investment Aviva was sold after we made a re-assessment of the longer term dividend prospects.

Looking forward we remain optimistic for the remainder of the Fund's year. We do need to draw a distinction though between the outlook for equities, where valuations remain attractive both on earnings and dividend criteria, and the less rosy outlook for the wider economy. Western governments remain caught between attempting to address their deficit and long term debt ratios, while avoiding the levels of austerity which might result in prolonging the economic downturn. This remains a delicate balancing act for which few are confident they know the right prescription. With this proviso, we expect a small but accelerating economic recovery during this year, which should be sufficient to give a firm fundamental underpinning to the equity market.

Comparative tables as at 31 January 2013

Net asset value per share

	Net asset value of Fund (£)	Net asset value of shares (£)	Number of shares in issue	Net asset value per share (pence)
Class A income				
31/07/2010	860,582,132	143,771,455	114,313,443	125.77
31/07/2011	864,560,286	144,357,631	109,906,535	131.35
31/07/2012	1,112,315,177	256,598,436	198,391,246	129.34
31/01/2013	1,200,029,762	274,736,308	196,372,788	139.91
Class A accumulation				
31/07/2010	860,582,132	666,230,535	395,137,488	168.61
31/07/2011	864,560,286	675,921,895	368,603,387	183.37
31/07/2012	1,112,315,177	775,859,994	411,517,056	188.54
31/01/2013	1,200,029,762	828,236,338	399,466,755	207.34
Class C accumulation				
31/07/2010	860,582,132	50,580,142	11,559,478	437.56
31/07/2011	864,560,286	44,280,760	9,248,410	478.79
31/07/2012	1,112,315,177	44,060,129	8,884,090	495.94
31/01/2013	1,200,029,762	46,455,464	8,485,983	547.44
Class M income*				
31/07/2012	1,112,315,177	31,381,323	31,563,668	99.42
31/01/2013	1,200,029,762	36,479,349	33,964,280	107.41
Class M accumulation**				
31/07/2012	1,112,315,177	2,770,648	2,736,555	101.25
31/01/2013	1,200,029,762	7,928,292	7,127,458	111.24
Class I income***				
31/07/2012	1,112,315,177	1,590,026	1,548,972	102.65
31/01/2013	1,200,029,762	2,930,958	2,632,945	111.32
Class I accumulation****				
31/07/2012	1,112,315,177	54,621	33,323	163.91
31/01/2013	1,200,029,762	3,263,053	1,804,639	180.81

* Share class M income launched on 9 February 2012.

** Share class M accumulation launched on 9 February 2012.

*** Share class I income launched on 19 July 2012.

**** Share class I accumulation launched on 19 July 2012.

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A income			
2008	5.58	136.56	109.90
2009	4.75	127.88	105.29
2010	5.32	133.64	122.98
2011	5.54	135.16	122.16
2012	5.47	137.15	124.37
2013	0.95+	142.02*	137.69*
Class A accumulation			
2008	6.76	162.88	135.41
2009	5.97	166.16	132.70
2010	7.06	179.53	163.26
2011	7.62	186.03	171.31
2012	7.85	201.89	179.63
2013	1.39+	209.05*	202.68*
Class C accumulation			
2008	17.37	416.22	347.73
2009	15.38	429.70	341.51
2010	18.29	466.69	423.48
2011	20.07	485.50	447.78
2012	21.30	532.69	471.92
2013	3.86+	551.96*	534.84*
Class M income			
2012**	3.38	105.01	95.21
2013	0.17++	108.47*	105.18*
Class M accumulation			
2012**	3.43	108.34	96.33
2013	0.18++	112.16*	108.75*
Class I income			
2012***	1.18	109.09	97.87
2013	0.78+	113.03*	109.53*
Class I accumulation			
2012***	1.87	175.95	156.16
2013	1.26+	182.31*	176.66*

* to 31 January
\+ to 31 March
++ to 28 February
** From 9 February 2012 to 31 December 2012
*** From 19 July 2012 to 31 December 2012

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.

	31/01/13 %	31/07/12 %
Class A income	1.51	1.50
Class A accumulation	1.51	1.50
Class C accumulation	0.58	0.58
Class M income	1.76	1.74
Class M accumulation	1.76	1.74
Class I income	0.74	0.83
Class I accumulation	0.74	0.83

Synthetic risk and reward profile

The Fund currently has 7 types of shares in issue:
A income, A accumulation, C accumulation, M income, M accumulation, I income and I accumulation.

The risk and reward profile is the same for each type of share and is as follows:

Typically Lower potential risk/reward — Typically Higher potential risk/reward

Lower Risk — *Higher Risk*

1	2	3	4	5	6	7

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

The risk/reward rating above is based on medium-term volatility. In the future, the Fund's actual volatity 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.

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

The Synthetic risk and reward indicator (SRRI) conforms to the CESR guidelines for the calculation of the SRRI.

Portfolio statement as at 31 January 2013

Holding	Investment	Market value £000	Percentage of total net assets %
	UNITED KINGDOM – 79.64% (31/07/12: 81.77%)		
	Government Bonds – 5.69% (31/07/12: 7.47%)		
GBP 7,000,000	Treasury 1% 07/09/2017	7,001	0.58
GBP 6,250,000	Treasury 3.75% 07/09/2019	7,163	0.60
GBP 1,200,000	Treasury 3.75% 07/09/2020	1,379	0.11
GBP 12,500,000	Treasury 4% 07/03/2022	14,641	1.22
GBP 4,257,740	Treasury 4.75% 07/09/2015	4,730	0.39
GBP 21,125,000	Treasury 5% 07/09/2014	22,675	1.89
GBP 9,000,000	Treasury 5% 07/03/2018	10,746	0.90
		68,335	5.69
	Government Index-Linked – 2.35% (31/07/12: 2.50%)		
GBP 8,103,346	Treasury 2.5% Index-Linked 26/07/2016	28,167	2.35
	Corporate Bonds – 15.74% (31/07/12: 17.42%)		
GBP 2,000,000	Amlin 6.5% variable 19/12/2026	2,014	0.17
GBP 1,715,000	Anglian Water Osprey Financial 7% 31/01/2018	1,861	0.16
GBP 9,000,000	Aviva 6.125% variable perpetual	8,515	0.71
GBP 110,000	Aviva 6.875% variable perpetual	111	0.01
GBP 4,836,000	Barclays Bank 10% 21/05/2021	6,321	0.53
USD 2,990,000	BAT International 3.25% 07/06/2022	1,923	0.16
GBP 4,300,000	BAT International 7.25% 12/03/2024	5,661	0.47
GBP 3,000,000	Beazley Group 7.25% variable 17/10/2026	2,951	0.25
GBP 1,500,000	BG Energy Capital 5.125% 12/07/2017	1,712	0.14
USD 1,690,000	BG Energy Capital 6.5% variable 30/11/2072	1,141	0.10
GBP 4,111,000	British Insurance 6.625% variable rate 09/12/2030	3,375	0.28
GBP 4,000,000	British Telecom 5.75% 07/12/2028	4,591	0.38
GBP 4,869,000	BUPA Finance 6.125% variable perpetual	4,683	0.39
GBP 12,500,000	Cattles 6.875% 17/01/2014	219	0.02
GBP 2,250,000	Centrica 4.375% 13/03/2029	2,334	0.19
GBP 1,390,000	Co-operative Bank 5.555% variable perpetual	1,170	0.10
GBP 1,762,000	Co-operative Bank 9.25% 28/04/2021	1,938	0.16
GBP 6,353,000	Daily Mail & General Trust 5.75% 07/12/2018	6,754	0.56
GBP 4,750,000	Daily Mail & General Trust 6.375% 21/06/2027	4,724	0.39
GBP 2,331,000	Enterprise Inns 6.5% 06/12/2018	2,291	0.19
GBP 6,444,000	Friends Life Group 8.25% 21/04/2022	6,952	0.58
GBP 2,045,000	Friends Provident 12% 21/05/2021	2,671	0.22
GBP 2,000,000	GKN 6.75% 28/10/2019	2,260	0.19
GBP 460,000	G4S 7.75% 13/05/2019	565	0.05
GBP 4,300,000	HSBC 6% 29/03/2040	4,722	0.39
GBP 1,850,000	Hutchison Ports 6.75% 07/12/2015	2,099	0.18
EUR 2,730,000	ICAP Group Holdings 7.5% 28/07/2014	2,476	0.21

Holding	Investment	Market value £000	Percentage of total net assets %
	UNITED KINGDOM – continued		
	Corporate Bonds – continued		
GBP 1,500,000	Imperial Tobacco 5.5% 28/09/2026	1,710	0.14
GBP 3,055,000	Investec Bank Plc 9.625% 17/02/2022	3,344	0.28
GBP 1,000,000	ITV 5.375% 19/10/2015	1,054	0.09
GBP 359,000	ITV 6.125% 05/01/2017	402	0.03
EUR 1,864,000	Legal & General 4% variable 08/06/2025	1,587	0.13
GBP 2,700,000	Legal & General 6.385% variable perpetual	2,736	0.23
GBP 2,549,000	Legal & General 10% variable 23/07/2041	3,468	0.29
GBP 10,081,000	Lloyds Banking 10.75% 16/12/2021	11,864	0.99
GBP 3,199,000	National Express 6.625% 17/06/2020	3,689	0.31
GBP 2,733,000	Nationwide Building Society 8.625% 29/03/2018	3,241	0.27
GBP 2,700,000	Novae Group 6.5% 27/04/2017	2,564	0.21
EUR 4,000,000	Old Mutual 5% variable perpetual	3,139	0.26
GBP 3,500,000	Paragon Group 7% variable 20/04/2017	2,730	0.23
GBP 1,750,000	Pearson Funding One 6% 15/12/2015	1,954	0.16
GBP 6,000,000	Provident Financial 8% 23/10/2019	6,644	0.55
GBP 250,000	Prudential 6.125% 19/12/2031	287	0.02
USD 1,560,000	Prudential 11.75% variable perpetual	1,117	0.09
GBP 1,800,000	Reed Elsevier 7% 11/12/2017	2,180	0.18
EUR 6,000,000	Rexam 6.75% variable 29/06/2067	5,401	0.45
GBP 8,467,000	RL Finance 6.125% variable perpetual	7,585	0.63
GBP 750,000	Rolls Royce 6.75% 30/04/2019	928	0.08
GBP 200,000	Royal Bank of Scotland 6% 17/05/2017	229	0.02
GBP 2,900,000	RSA Insurance 9.375% 20/05/2039	3,660	0.30
GBP 2,000,000	Santander 10.0625% perpetual	2,204	0.18
GBP 1,160,000	Severn Trent 6% 22/01/2018	1,352	0.11
GBP 475,000	Singer & Friedlander 7.5% 13/11/2019**	–	–
GBP 3,299,000	SL Finance 6.75% variable perpetual	3,428	0.29
GBP 4,200,000	Standard Chartered 5.375% variable perpetual	4,131	0.34
GBP 7,500,000	Telereal Securitisation 6.1645% 10/12/2031	8,588	0.72
GBP 1,917,000	Thames Water variable 21/07/2025	2,103	0.18
GBP 2,300,000	Unique Pub Finance 6.542% 30/03/2021	2,277	0.19
USD 719,000	Virgin Media 4.875% 15/02/2022	452	0.04
GBP 693,000	Virgin Media 7% 15/01/2018	741	0.06
GBP 3,740,000	Virgin Media 8.875% 15/10/2019	4,189	0.35
GBP 700,000	William Hill 7.125% 11/11/2016	786	0.07
GBP 960,000	WM Morrison Supermarkets 4.625% 08/12/2023	1,050	0.09
		188,848	15.74

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	UNITED KINGDOM – continued		
	Other Bonds – 2.22% (31/07/12: 1.44%)		
	Other Index Linked Bonds – 2.22% (31/07/12: 1.44%)		
GBP 1,270,000	British Telecom 3.5% Index-Linked 25/04/2025	2,388	0.20
GBP 5,000,000	Network Rail 1.375% Index-Linked 22/11/2037	7,818	0.65
GBP 6,500,000	Network Rail 1.75% Index-Linked 22/11/2027	10,001	0.84
GBP 3,800,000	Tesco 4% Index-Linked 08/09/2016	6,381	0.53
		26,588	2.22
	Oil & Gas – 8.32% (31/07/12: 7.40%)		
	Oil & Gas Producers – 8.32% (31/07/12: 7.40%)		
1,704,349	BG	19,080	1.59
8,177,893	BP	38,170	3.18
1,700,389	Royal Dutch Shell 'B'	39,007	3.25
319,744	Tullow Oil	3,639	0.30
		99,896	8.32
	Basic Materials – 2.05% (31/07/12: 1.98%)		
	Mining – 2.05% (31/07/12: 1.98%)		
474,932	Anglo American	8,960	0.75
440,328	Rio Tinto	15,676	1.30
		24,636	2.05
	Industrials – 6.37% (31/07/12: 5.24%)		
	Construction & Materials – 0.21% (31/07/12: 0.18%)		
966,636	Costain	2,535	0.21
	Aerospace & Defence – 1.67% (31/07/12: 1.52%)		
5,041,999	BAE Systems	17,118	1.43
1,013,343	Chemring	2,874	0.24
		19,992	1.67
	General Industrials – 1.95% (31/07/12: 1.77%)		
3,257,689	Battersea Power Station Shareheld Vehicle**	–	–
2,445,076	Battersea Power Station Shareheld Vehicle Warrants**	–	–
1,246,500	Rexam	5,839	0.49
1,385,000	Rexam Non Cumulative Preference	623	0.05
1,604,706	RPC	6,900	0.57
820,806	Smiths	10,071	0.84
		23,433	1.95

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	UNITED KINGDOM – continued		
	Industrials – continued		
	Industrial Engineering – 0.11% (31/07/12: 0.11%)		
389,731	Castings	1,325	0.11
	Support Services – 2.43% (31/07/12: 1.66%)		
697,855	Atkins (WS)	5,771	0.48
776,016	Berendsen	4,734	0.39
7,498,568	Communisis	3,356	0.28
2,173,966	G4S	6,028	0.50
4,447,003	SIG	5,848	0.49
2,108,506	Smiths News	3,458	0.29
		29,195	2.43
	Consumer Goods – 4.73% (31/07/12: 4.77%)		
	Automobiles & Parts – 0.00% (31/07/12: 0.10%)		
	Beverages – 0.80% (31/07/12: 0.78%)		
509,333	Diageo	9,558	0.80
	Food Producers – 2.08% (31/07/12: 1.97%)		
874,400	Dairy Crest	3,636	0.30
830,555	Unilever	21,320	1.78
		24,956	2.08
	Household Goods – 0.53% (31/07/12: 0.41%)		
573,128	Bellway	6,356	0.53
	Tobacco – 1.32% (31/07/12: 1.51%)		
675,790	Imperial Tobacco	15,847	1.32
	Healthcare – 6.63% (31/07/12: 7.08%)		
	Healthcare Equipment & Services – 1.45% (31/07/12: 1.40%)		
2,389,146	Smith & Nephew	17,357	1.45

Holding	Investment	Market value £000	Percentage of total net assets %
	UNITED KINGDOM – continued		
	Consumer Goods – continued		
	Pharmaceuticals & Biotechnology – 5.18% (31/07/12: 5.68%)		
766,010	AstraZeneca	23,382	1.95
2,679,400	GlaxoSmithKline	38,731	3.23
		62,113	5.18
	Consumer Services – 7.78% (31/07/12: 7.98%)		
	Food & Drug Retailers – 1.34% (31/07/12: 1.29%)		
4,501,635	Tesco	16,039	1.34
	General Retailers – 1.93% (31/07/12: 1.64%)		
1,805,604	Halfords	6,139	0.51
2,887,530	HMV**	–	–
2,289,018	Kingfisher	6,171	0.51
2,869,130	Marks & Spencer	10,894	0.91
		23,204	1.93
	Media – 2.37% (31/07/12: 2.49%)		
1,092,046	Pearson	13,039	1.09
2,233,164	Reed Elsevier	15,342	1.28
		28,381	2.37
	Travel & Leisure – 2.14% (31/07/12: 2.56%)		
197,576	Carnival (London listed)	5,058	0.42
327,811	Go-Ahead	4,271	0.36
4,914,598	Marstons	6,551	0.55
2,799,653	National Express	5,795	0.48
1,687,298	The Hotel Corporation	22	–
1,367,426	TUI Travel	3,977	0.33
		25,674	2.14
	Telecommunications – 3.86% (31/07/12: 4.22%)		
	Fixed Line Telecommunications – 1.48% (31/07/12: 1.40%)		
7,151,460	British Telecom	17,779	1.48
	Mobile Telecommunications – 2.38% (31/07/12: 2.82%)		
16,596,079	Vodafone	28,562	2.38

Holding	Investment	Market value £000	Percentage of total net assets %
	UNITED KINGDOM – continued		
	Utilities – 3.60% (31/07/12: 3.81%)		
	Electricity – 0.56% (31/07/12: 0.73%)		
472,711	Scottish & Southern Energy	6,708	0.56
	Gas, Water & Multiutilities – 3.04% (31/07/12: 3.08%)		
6,552,960	Centrica	22,942	1.91
518,130	Pennon	3,500	0.29
410,881	Severn Trent	6,656	0.55
468,479	United Utilities	3,427	0.29
		36,525	3.04
	Financials – 8.83% (31/07/12: 8.88%)		
	Banks – 5.08% (31/07/12: 3.99%)		
6,458,093	HSBC Holdings (London listed)	46,279	3.86
21,704,577	Lloyds Banking	11,210	0.93
968,145	Royal Bank of Scotland	3,323	0.28
20	West Bromwich Building Society	125	0.01
		60,937	5.08
	Non-Life Insurance – 1.58% (31/07/12: 1.45%)		
834,504	Amlin	3,199	0.27
11,919,171	RSA Insurance	15,698	1.31
		18,897	1.58
	Life Insurance – 0.65% (31/07/12: 1.53%)		
2,268,618	Standard Life	7,840	0.65
	Financial Services – 0.54% (31/07/12: 0.62%)		
6,175,660	F&C Asset Management	6,509	0.54
	Real Estate – 0.98% (31/07/12: 1.01%)		
1,117,373	British Land REIT	6,274	0.52
2,209,953	Segro REIT	5,474	0.46
		11,748	0.98

Holding	Investment	Market value £000	Percentage of total net assets %
	UNITED KINGDOM – continued		
	Equity Investment Instruments – 0.00% (31/07/12: 0.28%)		
	Technology – 1.47% (31/07/12: 1.58%)		
	Software & Computer Services – 1.47% (31/07/12: 1.58%)		
1,995,942	Invensys	6,860	0.57
3,332,409	Sage	10,750	0.90
		17,610	1.47
	UNITED STATES – 7.10% (31/07/12: 5.70%)		
	Government Index-Linked – 4.84% (31/07/12: 3.53%)		
USD 27,500,000	US Treasury 1.25% Index-Linked 15/04/2014	19,551	1.63
USD 17,800,000	US Treasury 2% Index-Linked 15/01/2014	14,496	1.21
USD 23,361,000	US Treasury 2.375% Index-Linked 15/01/2025	24,040	2.00
		58,087	4.84
	Corporate Bonds – 2.26% (31/07/12: 2.17%)		
GBP 2,940,000	AT&T 4.875% 01/06/2044	2,947	0.25
GBP 363,000	Chesapeake 10.375% 15/11/2011**	–	–
EUR 3,850,000	Chesapeake 7% 15/12/2014**	–	–
EUR 3,000,000	Citigroup 7.375% 04/09/2019	3,282	0.27
GBP 6,050,000	General Electric Capital 5.5% variable 15/09/2066	5,927	0.49
USD 2,280,000	HCA 8% 01/10/2018	1,673	0.14
GBP 9,664,000	Juneau Investment 5.9% 22/02/2021	8,988	0.75
GBP 400,000	Lehman Brothers 7.875% 08/05/2018*	87	0.01
GBP 2,250,000	Time Warner Cable 5.25% 15/07/2042	2,307	0.19
GBP 1,250,000	Time Warner Cable 5.75% 02/06/2031	1,413	0.12
USD 766,000	WPP Finance 4.75% 21/11/2021	518	0.04
		27,142	2.26
	BRITISH VIRGIN ISLANDS – 0.27% (31/07/12: 0.29%)		
	Corporate Bonds – 0.10% (31/07/12: 0.10%)		
EUR 1,250,000	Global Switch Holdings 5.5% 18/04/2018	1,202	0.10
	Financials – 0.17% (31/07/12: 0.19%)		
	Life Insurance – 0.17% (31/07/12: 0.19%)		
1,827,076	Hansard Global	2,046	0.17

Holding	Investment	Market value £000	Percentage of total net assets %
	CANADA – 0.05% (31/07/12: 0.00%)		
	Corporate Bonds – 0.05% (31/07/12: 0.00%)		
USD 1,010,000	Bombardier 6.125% 15/01/2023	648	0.05
	CAYMAN ISLANDS – 0.55% (31/07/12: 0.64%)		
	Corporate Bonds – 0.35% (31/07/12: 0.48%)		
GBP 910,000	Parmalat Capital Finance 9.375% perpetual**	–	–
USD 250,000	UPCB Finance 6.625% 01/07/2020	168	0.01
GBP 3,621,000	Yorkshire Water 6% variable 24/04/2025	4,034	0.34
		4,202	0.35
	Financials – 0.20% (31/07/12: 0.16%)		
	Life Insurance – 0.20% (31/07/12: 0.16%)		
378,517	Phoenix Group Holdings	2,421	0.20
70,300	Phoenix Group Holdings (Sub Shares)**	–	–
		2,421	0.20
	CHANNEL ISLANDS – 1.36% (31/07/12: 1.52%)		
	Corporate Bonds – 0.21% (31/07/12: 0.50%)		
GBP 1,090,000	Heathrow Funding 3% 08/06/2015	1,122	0.09
GBP 1,000,000	Heathrow Funding 6% 20/03/2020	1,125	0.09
GBP 250,000	CPUK Finance 7.239% 28/02/2024	296	0.03
		2,543	0.21
	Other Bonds – 0.62% (31/07/12: 0.56%)		
	Other Index Linked Bonds – 0.62% (31/07/12: 0.56%)		
GBP 4,800,000	Heathrow Funding 3.334% Index-Linked 09/12/2039	7,443	0.62
	Financials – 0.53% (31/07/12: 0.46%)		
	Financial Services – 0.11% (31/07/12: 0.10%)		
1,432,183	Juridica Investments	1,289	0.11
	Life Insurance – 0.42% (31/07/12: 0.36%)		
1,938,013	Resolution	5,085	0.42
	Non-equity Investment Instruments – 0.00% (31/07/12: 0.00%)		
1,087,817	Real Estate Opportunities Fund*	–	–

Holding	Investment	Market value £000	Percentage of total net assets %
	DENMARK – 0.06% (31/07/12: 0.07%)		
	Corporate Bonds – 0.06% (31/07/12: 0.07%)		
GBP 640,000	Carlsberg 7.25% 28/11/2016	763	0.06
	FRANCE – 0.63% (31/07/12: 0.92%)		
	Corporate Bonds – 0.63% (31/07/12: 0.92%)		
EUR 130,000	Labco SAS 8.5% 15/01/2018	117	0.01
EUR 2,792,000	Rexel 8.25% 15/12/2016	2,586	0.22
GBP 4,000,000	WPP Finance 6.375% 06/11/2020	4,794	0.40
		7,497	0.63
	GERMANY – 0.35% (31/07/12: 0.66%)		
	Corporate Bonds – 0.35% (31/07/12: 0.66%)		
EUR 2,600,000	Kabel Deutschland V&S 6.5% 29/06/2018	2,353	0.20
GBP 1,700,000	RWE AG 7% variable perpetual	1,849	0.15
		4,202	0.35
	GREECE – 0.15% (31/07/12: 0.26%)		
	Industrials – 0.15% (31/07/12: 0.26%)		
	Industrial Transportation – 0.15% (31/07/12: 0.26%)		
4,725,570	Goldenport	1,808	0.15
	IRELAND – 0.76% (31/07/12: 0.83%)		
	Corporate Bonds – 0.06% (31/07/12: 0.24%)		
EUR 700,000	Ardagh Glass Finance 9.25% 01/07/2016	640	0.06
USD 2,600,000	International Securities 9% perpetual**	–	–
GBP 2,300,000	Lambay Capital 6.25% variable perpetual*	35	–
EUR 1,825,000	Waterford Wedgwood 9.875% 01/12/2010	2	–
		677	0.06
	Consumer Goods – 0.70% (31/07/12: 0.59%)		
	Food Producers – 0.70% (31/07/12: 0.59%)		
7,641,986	Greencore	8,444	0.70
	ITALY – 0.28% (31/07/12: 0.28%)		
	Corporate Bonds – 0.28% (31/07/12: 0.28%)		
GBP 3,000,000	Telecom Italia 7.375% 15/12/2017	3,406	0.28

Portfolio statement (continued)

Holding	Investment	Market value £000	Percentage of total net assets %
	LUXEMBOURG – 0.11% (31/07/12: 0.11%)		
	Corporate Bonds – 0.11% (31/07/12: 0.11%)		
USD 1,854,000	Glencore Finance 7.5% perpetual	1,268	0.11
EUR 1,089,681	Hellas Telecom 8.5% 15/10/2013*	1	–
EUR 1,731,000	Teksid Aluminium 11.375% 15/07/2011**	–	–
		1,269	0.11
	NETHERLANDS – 0.89% (31/07/12: 1.43%)		
	Corporate Bonds – 0.89% (31/07/12: 1.43%)		
EUR 1,280,000	Conti Gummi Finance 8.5% 15/07/2015	1,168	0.10
EUR 265,000	UPC Holding 8.375% 15/08/2020	249	0.02
EUR 2,466,000	UPC Holding 9.75% 15/04/2018	2,226	0.18
EUR 4,000,000	Ziggo Bond 8% 15/05/2018	3,712	0.31
EUR 3,745,000	Ziggo Finance 6.125% 15/11/2017	3,368	0.28
		10,723	0.89
	DERIVATIVES – (0.14%) (31/07/12: 0.00%)		
	Forward Currency – (0.14%) (31/07/12: 0.00%)		
	Buy GBP 36,995,283 Sell EUR 44,475,000 22 February 2013	(1,092)	(0.09)
	Buy GBP 66,119,545 Sell USD 105,800,000 22 February 2013	(621)	(0.05)
	Buy EUR 2,600,000 Sell GBP 2,218,323 22 February 2013	8	–
		(1,705)	(0.14)
	Investment assets	**1,104,742**	**92.06**
	Net other assets	95,288	7.94
	Net assets	**1,200,030**	**100.00**

* Suspended, delisted or unquoted securities

** Less than £500

Credit ratings as at 31 January 2013

Investment	Market value £000	Percentage of total net assets %
Above investment grade (AAA-BBB)	332,963	27.74
Below investment grade (BB and below)	43,888	3.66
Unrated	64,891	5.41
Total bonds	**441,742**	**36.81**
Total equities	**664,705**	**55.39**
Total forward foreign currency contracts	**(1,705)**	**(0.14)**
Investment assets	**1,104,742**	**92.06**
Net other assets	95,288	7.94
Net assets	**1,200,030**	**100.00**

Source: S&P

Statement of total return for the six months ended 31 January 2013 (unaudited)

	31/01/13		31/01/12	
	£000	£000	£000	£000
Income				
Net capital gains/(losses)		96,049		(20,191)
Revenue	22,485		19,963	
Expenses	(8,522)		(5,985)	
Finance costs: Interest	–		(3)	
Net revenue before taxation	13,963		13,975	
Taxation	(294)		(777)	
Net revenue after taxation		13,669		13,198
Total return before distributions		109,718		(6,993)
Finance costs: Distributions		(19,338)		(17,178)
Change in net assets attributable to shareholders from investment activities		**90,380**		**(24,171)**

Statement of change in net assets attributable to shareholders

for the six months ended 31 January 2013 (unaudited)

	31/01/13		31/01/12	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		**1,112,315**		**864,560**
Amounts receivable on issue of shares	26,867		5,322	
Amounts payable on cancellation of shares	(43,508)		(45,031)	
		(16,641)		(39,709)
Stamp duty reserve tax		(208)		(85)
Change in net assets attributable to shareholders from investment activities (see above)		90,380		(24,171)
Retained distributions on accumulation shares		14,184		14,109
Unclaimed distributions over six years old		–		1
Closing net assets attributable to shareholders		**1,200,030**		**814,705**

Balance sheet as at 31 January 2013 (unaudited)

	31/01/13		31/07/12	
	£000	£000	£000	£000
Assets				
Investment assets		1,106,447		1,050,865
Debtors	30,467		24,475	
Cash and bank balances	80,641		42,812	
Total other assets		111,108		67,287
Total assets		1,217,555		1,118,152
Liabilities				
Investment liabilities		(1,705)		–
Creditors	(13,886)		(3,366)	
Distribution payable on income shares	(1,934)		(2,471)	
Total other liabilities		(15,820)		(5,837)
Total liabilities		(17,525)		(5,837)
Net assets attributable to shareholders		**1,200,030**		**1,112,315**

1 Accounting policies

The accounting, distribution and risk management policies are set out in notes 1 to 3 of the aggregate financial statements on pages 6 to 9.

2 Portfolio transaction costs

	31/01/13 £000	31/01/12 £000
Purchases in period before transaction costs	115,061	72,581
Commissions	91	68
Taxes+	309	234
Total purchase transaction costs*	400	302
Purchases including transaction costs	**115,461**	**72,883**
Sales in period before transaction costs	157,912	92,447
Commissions	(113)	(31)
Total sale transaction costs*	(113)	(31)
Sales net of transaction costs	**157,799**	**92,416**
Transaction handling charges*	**2**	**1**

+ Prior year comparatives have been restated.
* These amounts have been deducted in determining net capital gains/(losses).

Distribution table for the six months ended 31 January 2013 (in pence per share)

Interim dividend distribution (accounting date 31 August 2012, paid on 30 September 2012)

Group 1: shares purchased prior to 1 August 2012

Group 2: shares purchased on or after 1 August 2012

	Net revenue	Equalisation	Distribution paid 30/09/12	Distribution paid 30/09/11
Class M income				
Group 1	0.434	–	0.434	n/a
Group 2	0.127	0.307	0.434	n/a
Class M accumulation				
Group 1	0.443	–	0.443	n/a
Group 2	0.237	0.206	0.443	n/a

Interim dividend distribution (accounting date 30 September 2012, paid on 31 October 2012)

Group 1: shares purchased prior to 1 September 2012

Group 2: shares purchased on or after 1 Septmber 2012

	Net revenue	Equalisation	Distribution paid 31/10/12	Distribution paid 31/10/11
Class M income				
Group 1	0.296	–	0.296	n/a
Group 2	0.148	0.148	0.296	n/a
Class M accumulation				
Group 1	0.303	–	0.303	n/a
Group 2	0.135	0.168	0.303	n/a

Distribution table (continued)

Interim dividend distribution (accounting date 31 October 2012, paid on 31 December 2012)

Group 1: shares purchased prior to 1 August 2012

Group 2: shares purchased on or after 1 August 2012

	Net revenue	Equalisation	Distribution paid 31/12/12	Distribution paid 31/12/11
Class A income				
Group 1	1.324	–	1.324	1.434
Group 2	0.580	0.744	1.324	1.434
Class A accumulation				
Group 1	1.930	–	1.930	2.002
Group 2	0.752	1.178	1.930	2.002
Class C accumulation				
Group 1	5.266	–	5.266	5.398
Group 2	0.362	4.904	5.266	5.398
Class I Income				
Group 1	1.082	–	1.082	n/a
Group 2	0.345	0.737	1.082	n/a
Class I accumulation				
Group 1	1.724	–	1.724	n/a
Group 2	0.709	1.015	1.724	n/a

Interim dividend distribution (accounting date 31 October 2012, paid on 30 November 2012)

Group 1: shares purchased prior to 1 October 2012

Group 2: shares purchased on or after 1 October 2012

	Net revenue	Equalisation	Distribution paid 30/11/12	Distribution paid 30/11/11
Class M income				
Group 1	0.284	–	0.284	n/a
Group 2	0.152	0.132	0.284	n/a
Class M accumulation				
Group 1	0.291	–	0.291	n/a
Group 2	0.140	0.151	0.291	n/a

Distribution table (continued)

Interim dividend distribution (accounting date 30 November 2012, paid on 31 December 2012)

Group 1: shares purchased prior to 1 November 2012
Group 2: shares purchased on or after 1 November 2012

	Net revenue	Equalisation	Distribution paid 31/12/12	Distribution paid 31/12/11
Class M income				
Group 1	0.319	–	0.319	n/a
Group 2	0.115	0.204	0.319	n/a
Class M accumulation				
Group 1	0.328	–	0.328	n/a
Group 2	0.124	0.204	0.328	n/a

Interim dividend distribution (accounting date 31 December 2012, paid on 31 January 2013)

Group 1: shares purchased prior to 1 December 2012
Group 2: shares purchased on or after 1 December 2012

	Net revenue	Equalisation	Distribution paid 31/01/13	Distribution paid 31/01/12
Class M income				
Group 1	0.234	–	0.234	n/a
Group 2	0.104	0.130	0.234	n/a
Class M accumulation				
Group 1	0.241	–	0.241	n/a
Group 2	0.108	0.133	0.241	n/a

Distribution table (continued)

Interim dividend distribution (accounting date 31 January 2013, payable on 31 March 2013)

Group 1: shares purchased prior to 1 November 2012

Group 2: shares purchased on or after 1 November 2012

	Net revenue	Equalisation	Distribution payable 31/03/13	Distribution paid 31/03/12
Class A income				
Group 1	0.945	–	0.945	1.218
Group 2	0.405	0.540	0.945	1.218
Class A accumulation				
Group 1	1.392	–	1.392	1.720
Group 2	0.623	0.769	1.392	1.720
Class C accumulation				
Group 1	3.861	–	3.861	4.673
Group 2	1.548	2.313	3.861	4.673
Class I income				
Group 1	0.782	–	0.782	n/a
Group 2	0.135	0.647	0.782	n/a
Class I accumulation				
Group 1	1.260	–	1.260	n/a
Group 2	0.245	1.015	1.260	n/a

Interim dividend distribution (accounting date 31 January 2013, payable on 28 February 2013)

Group 1: shares purchased prior to 1 January 2013

Group 2: shares purchased on or after 1 January 2013

	Net revenue	Equalisation	Distribution payable 28/02/13	Distribution paid 29/02/12
Class M income				
Group 1	0.171	–	0.171	n/a
Group 2	0.069	0.102	0.171	n/a
Class M accumulation				
Group 1	0.178	–	0.178	n/a
Group 2	0.063	0.115	0.178	n/a

Gartmore High Yield Corporate Bond Fund
Manager's report

Fund Manager

Ben Pakenham

On 12 August 2011 Gartmore High Yield Corporate Bond Fund merged into the Henderson Extra Monthly Income Bond Unit Trust. The Gartmore High Yield Corporate Bond Fund is in the process of termination and has no shareholders.

Investment objective and policy

To provide investors with a high level of income by investing in bonds and other securities and their derivatives. The Manager will invest in a spread of securities which at the Manager's discretion will include various bonds, including high yield bonds with various credit ratings, convertible bonds, preference shares, government securities, other investments of a similar nature and sophisticated derivative instruments such as credit default swaps. The use of derivatives forms an important part of the investment strategy. The Manager will seek investment opportunities both in the United Kingdom and globally.

The Fund may also invest at the Manager's discretion in other transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in applicable FSA Rules).

Performance Summary

	1 Aug 11- 11 Aug 11	1 Aug 10- 31 Jul 11	1 Aug 09- 31 Jul 10	1 Aug 08- 31 Jul 09	1 Aug 07- 31 Jul 08
	%	%	%	%	%
Gartmore High Yield Corporate Bond	(4.9)	8.9	15.7	(26.5)	(0.9)
IMA £ High Yield Sector Average*	(5.0)	8.7	–	–	–

Source: Morningstar – mid to mid (excluding initial charge) with net revenue reinvested for a basic rate taxpayer.
Figures in brackets are negative.
* Owing to a sector change it's not appropriate to compare the Fund's performance to its sector average before October 2009.

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.

Comparative tables as at 31 January 2013

Net asset value per share

	Net asset value of Fund (£)	Net asset value of shares (£)	Number of shares in issue	Net asset value per share (pence)
Class A income				
31/07/2010	124,678,543	58,567,889	106,450,795	55.02
31/07/2011	89,760,041	55,028,058	97,832,478	56.25
31/07/2012	–	–	–	–
31/01/2013	–	–	–	–
Class A accumulation				
31/07/2010	124,678,543	66,110,654	57,961,091	114.06
31/07/2011	89,760,041	34,731,983	27,938,334	124.32
31/07/2012	–	–	–	–
31/01/2013	–	–	–	–

Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
Class A income			
2007	4.79	85.10	78.81
2008	5.24	79.32	52.00
2009	1.80	52.50	44.79
2010	3.53	57.56	52.91
2011**	2.56+	59.03*	53.63*
Class A accumulation			
2007	8.07	140.88	135.27
2008	9.41	139.28	96.42
2009	3.44	99.07	85.97
2010	7.23	121.77	107.13
2011**	5.54+	127.71*	118.54*

* to 11 August 2011
+ to 13 September 2011
** Merged with Henderson Extra Monthly Income Bond Unit Trust on 12 August 2011.

Portfolio statement as at 31 January 2013

Holding	Investment	Market value £000	Percentage of total net assets %
	ICELAND 0.00% (31/07/12: 0.00%)		
	Corporate Bonds 0.00% (31/07/12: 0.00%)		
USD 2,100,000	Glitnir Banki floating rate note 02/03/2015*	–	–
	Investment assets	**–**	**–**
	Net other assets	–	–
	Net assets	**–**	**–**

* Suspended, delisted or unquoted securities

Statement of total return for the six months ended 31 January 2013 (unaudited)

	31/01/13		31/01/12	
	£000	£000	£000	£000
Income				
Net capital losses		–		(4,275)
Revenue	–		205	
Expenses	–		(30)	
Net revenue before taxation	–		175	
Taxation	–		–	
Net revenue after taxation		–		175
Total return before distributions		**–**		**(4,100)**
Finance costs: Distributions		–		(200)
Change in net assets attributable to shareholders from investment activities		**–**		**(4,300)**

Statement of change in net assets attributable to shareholders

for the six months ended 31 January 2013 (unaudited)

	31/01/13		31/01/12	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		**–**		**89,760**
Amounts transferred on merger sub-fund*	–		(82,915)	
Amounts payable on cancellation of shares	–		(2,610)	
		–		(85,525)
Change in net assets attributable to shareholders from investment activities (see above)		–		(4,300)
Retained distributions on accumulation shares		–		59
Unclaimed distributions over six years old		–		6
Closing net assets attributable to shareholders		**–**		**–**

* The Fund merged into the Henderson Extra Monthly Income Bond Unit Trust on 12 August 2011.

Balance sheet as at 31 January 2013 (unaudited)

	31/01/13		31/07/12	
	£000	£000	£000	£000
Assets				
Investment assets		–		–
Debtors	–		–	
Cash and bank balances	6		27	
Total other assets		6		27
Total assets		6		27
Liabilities				
Investment liabilities		–		–
Creditors	(6)		(27)	
Distribution payable on income shares	–		–	
Total other liabilities		(6)		(27)
Total liabilities		(6)		(27)
Net assets attributable to shareholders		**–**		**–**

Notes to the financial statements as at 31 January 2013

1 Accounting policies

The accounting, distribution and risk management policies are set out in notes 1 to 3 of the aggregate financial statements on pages 6 to 9.

2 Portfolio transaction costs

	31/01/13 £000	31/01/12 £000
Purchases in period before transaction costs	–	–
Commissions	–	–
Taxes	–	–
Total purchase transaction costs*	–	–
Purchases including transaction costs	**–**	**–**
Sales in period before transaction costs	–	76,643
Sales net of transaction costs	**–**	**76,643**
Transaction handling charges*	**–**	**–**

*These amounts have been deducted in determining net capital losses.

Distribution table for the six months ended 31 January 2013 (in pence per share)

This Fund is in the process of termination and has no shareholders. In the prior period a final interest distribution of 0.101 and 0.224 was paid to the class A income and class A accumulation shareholders respectively. These classes then merged with Henderson Extra Monthly Income Bond Unit Trust on 12 August 2011.

Final interest distribution (xd date 12 August 2011, paid on 13 September 2011)

Group 1: shares purchased prior to 1 August 2011
Group 2: shares purchased on or after 1 August 2011

	Distribution paid 13/09/11
Class A income	
Group 1	0.101
Group 2	0.101
Class A accumulation	
Group 1	0.224
Group 2	0.224

Further information

Shareholder 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 line is 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.

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