



# INTERIM SHORT REPORT

For the six months ended  
31 December 2013

**Henderson Institutional UK Gilt Fund**

# Henderson Institutional UK Gilt Fund

## Short Report

For the six months ended 31 December 2013

### Fund Manager

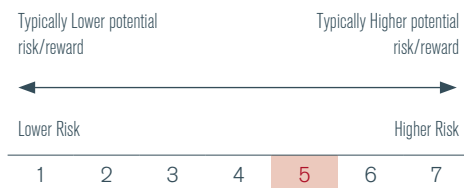
Mitul Patel

### Investment objective and policy

To provide a return by investing primarily in United Kingdom Government securities. The Fund may invest in other transferable securities, money market instruments, derivatives and forward transactions, deposits and units in collective investment schemes.

### Risk and reward profile

The Fund currently has 6 share classes in issue; A income, I accumulation, D gross accumulation, Z gross accumulation, I income and I gross accumulation. Each share class has the same risk and reward profile which is as follows:



The synthetic risk and reward indicator (SRRI) is calculated based on historical volatility over a rolling 5 year period, it is reviewed monthly and updated if volatility has changed materially to cause a movement in the SRRI level. The SRRI is an indicator and may not accurately reflect future volatility and market conditions.

The value of an investment in the Fund can go up or down. When you sell your units, 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 focuses on a single country
- 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.

**Focus risk** The Fund's value may fall where it has concentrated exposure to an issuer or type of security that is heavily affected by an adverse event.

**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.

### Fund Manager's commentary

Core government bond markets continued to perform poorly during the period, with 2013 being one of the worst years for core government bond markets in 20 years. As fears over longer-term fiscal sustainability dissipated, peripheral government bond markets performed well, compressing the premium commanded over German government bonds. The US Treasury market remained under pressure over the period, as economic data continued to improve, leading the Federal Open Market Committee to reduce the scale of asset purchases in December.

Among the main positive contributors to performance was the Fund's positioning for lower inflation expectations in Europe as the European Central Bank (ECB) seemed less willing to adopt unconventional monetary policy measures to fight against low inflation. Our anticipation of lower bund prices over July and August was also beneficial. We had positioned the Fund for a steeper European swap curve; the ECB's rate cut rewarded this, while longer-dated maturities suffered from less demand following regulatory changes.

Negatives included setting the Fund up to benefit from higher inflation expectations in the US after the Federal Reserve appeared more dovish than the market expected. Positioning for a move higher in Swiss swap rates, since prevailing rates did not reflect the improving economic fundamentals, was also unhelpful. We had also anticipated a flatter US yield curve, but this failed to materialise as yields moved higher contrary to our expectations. Finally, we had expected Australian government bonds to outperform swaps; this did not occur, however.

Markets are likely to remain volatile in the coming months. As the US economy continues to strengthen and downside risks diminish, yields are likely to continue rising (as bond prices continue to fall). The markets are likely to continue pricing in the eventual withdrawal of monetary policy stimulus in the UK and the US, as inflationary pressures build in response to declines in unemployment. Europe is likely to maintain easier monetary policy for longer, as growth remains constrained by a weak banking system and structural reforms within peripheral countries. Key downside risks to the global economy are a potential return of the European sovereign bond crisis and growth surprising negatively in emerging markets, and in particular China.

## Performance summary

	30 Jun 13- 31 Dec 13 %	30 Jun 12- 31 Dec 12 %	30 Jun 11- 31 Dec 11 %	30 Jun 10- 31 Dec 10 %	30 Jun 09- 31 Dec 09 %
Henderson Institutional UK Gilt Fund	(2.0)	0.5	12.8	0.7	0.9
FTSE Actuaries All Stocks Gilt Index	(0.9)	0.7	13.7	1.5	1.0

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

Figures in brackets are negative.

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

## Summary of Fund performance

Share class	Net asset value* 31/12/13 p	Net asset value* 30/06/13 p	Net asset value % change
Class A income	178.89	182.87	(2.18)
Class I income	177.88	182.01	(2.27)
Class I accumulation	270.06	274.01	(1.44)
Class I gross accumulation	288.93	292.48	(1.21)
Class Z gross accumulation	172.31	173.98	(0.96)
Class D gross accumulation	120.34	121.65	(1.08)

\*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	31/12/13 p	31/12/12 p
Class A income	0.95	0.78
Class I income	1.44	1.27
Class I accumulation	2.17	1.90
Class I gross accumulation	2.87	2.53
Class Z gross accumulation	2.15	1.95
Class D gross accumulation	1.35	1.28

Total interest distributions for the period ended 31 December 2013, comparison is for the same period last year.

## Fund facts

Accounting dates	Payment dates
30 June, 31 December	31 August, 30 November, last day in February, 31 May

### Ongoing charge figure

	31/12/13 %	30/06/13 %
Class A	1.16*	1.19
Class I	0.53**	0.54
Class Z	0.03**	0.04
Class D	0.28**	0.29

The ongoing charge figure (OCF) of the Fund is the ratio of the total ongoing charges to the average net asset value for twelve months.

The OCF is calculated in accordance with guidelines issued by the Committee of European Securities Regulators (CESR).

From 10 August 2013, the General Administration Charge (GAC) decreased:

\* from 0.18% to 0.14%.

\*\* from 0.03% to 0.023%.

## Performance record

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
<b>Class X income</b>			
2009	2.88	168.70	158.60
2010 **	0.55	163.20	162.20
<b>Class A income</b>			
2009	3.50	168.20	157.20
2010	2.84	174.30	159.80
2011	2.79	190.00	162.40
2012	1.74	195.60	183.00
2013	1.94	194.00+	178.80+
2014	0.38*	-	-
<b>Class I income</b>			
2009	4.05	167.10	156.10
2010	3.45	172.80	158.30
2011	3.47	188.70	161.50
2012	2.72	194.10	181.70
2013	2.90	192.50+	177.50+
2014	0.63*	-	-
<b>Class I accumulation</b>			
2009	5.64	235.70	216.80
2010	4.92	248.10	224.90
2011	5.04	277.90	234.10
2012	4.03	289.10	268.80
2013	4.35	289.80+	269.00+
2014	0.96*	-	-
<b>Class I gross accumulation</b>			
2009	7.46	246.90	225.80
2010	6.73	261.80	236.90
2011	6.98	295.00	246.80
2012	5.32	307.50	285.60
2013	5.80	309.10+	287.20+
2014	1.25*	-	-

## Performance record (continued)

Calendar year	Net revenue (pence per share)	Highest price (pence per share)	Lowest price (pence per share)
<b>Class Z accumulation</b>			
2009	3.80	135.60	114.30
2010 #	1.78	133.30	128.90
<b>Class Z gross accumulation</b>			
2009	5.02	144.00	157.10
2010	4.67	153.50	137.30
2011	4.87	174.20	145.00
2012	4.02	182.00	170.20
2013	4.33	183.70+	171.00+
2014	0.96*	-	-
<b>Class D gross accumulation</b>			
2010 ***	1.08	108.10	100.00
2011	3.12	122.20	114.50
2012	2.55	127.50	118.30
2013	2.72	128.50+	119.50+
2014	0.59*	-	-

\* to 28 February 2014

+ to 31 December 2013

\*\* Class X merged with Class A 11 January 2010

# Class Z accumulation closed on 1 April 2010

\*\*\* Class D gross accumulation was launched on 11 May 2010

**Past performance is not a guide to future performance.**

### Major holdings

as at 31/12/13	%
UK Treasury 2.5% Index-Linked 26/07/2016	7.01
UK Treasury 3.75% 07/09/2019	4.23
UK Treasury 5% 07/03/2018	3.65
UK Treasury 5% 07/03/2025	3.64
UK Treasury 4% 07/03/2022	3.40
UK Treasury 4.25% 07/06/2032	3.33
UK Treasury 2.25% 07/03/2014	3.32
UK Treasury 4.75% 07/09/2015	3.19
UK Treasury 4.25% 07/12/2027	2.88
UK Treasury 4.75% 07/12/2030	2.80

### Asset allocation

as at 31/12/13	%
Bonds	96.76
Derivatives	0.22
Collective investment schemes	0.10
Net other assets	2.92
<b>Total</b>	<b>100.00</b>

### Major holdings

as at 30/06/13	%
UK Treasury 2.5% Index-Linked 26/07/2016	7.10
UK Treasury 3.75% 07/09/2019	4.41
UK Treasury 5% 07/03/2018	3.78
UK Treasury 5% 07/03/2025	3.59
UK Treasury 1.75% 07/09/2022	3.55
UK Treasury 4.25% 07/06/2032	3.55
UK Treasury 4.75% 07/09/2015	3.28
UK Treasury 4.75% 07/12/2030	3.19
UK Treasury 1% 07/09/2017	3.18
UK Treasury 3.75% 22/07/2052	3.05

### Asset allocation

as at 30/06/13	%
Bonds	96.91
Derivatives	0.56
Collective investment schemes	0.10
Net other assets	2.43
<b>Total</b>	<b>100.00</b>



## Report and accounts

This document is a short report of the Henderson Institutional UK Gilt Fund for the six months ended 31 December 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](http://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

## 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.

### Depository

National Westminster Bank Plc

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### 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 31 December 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 UK Gilt Fund at any time by logging on to [www.henderson.com](http://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](mailto:support@henderson.com).

### Important Information

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

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